# The Management Review

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**NOVEMBER, 1954**

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Digests
Feature Articles
Book Reviews

*. . . in all fields of management*

AMERICAN MANAGEMENT ASSOCIATION

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Volume XLIII No. 11

NOVEMBER, 1954

# The Management Review

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# THE SUCCESSFUL EXECUTIVE: A PROFILE

How do successful executives become what they are? Where do they come from? What kinds of education do they have? What are their particular abilities, interests, and personality characteristics?

To answer such questions, a study was recently undertaken of the backgrounds and present characteristics of a group of highly successful corporation officers. The study, based on information obtained from questionnaires, interviews, and psychological tests, covered 33 top executives (17 were board chairmen or presidents, 13 were vice presidents, and 3 were secretary-treasurers) in 29 large organizations constituting a cross section of business and industrial enterprise. The findings indicate that there is in fact a definite pattern of background and personality making for executive competence.

Since there is general agreement on the nature of the early determinants of personal development, such as nationality, socio-economic status, and relations within the family, the following facts may be significant: With the exception of two who immigrated to this country as children, all of the group were born in the United States or its territories. Almost half of the participants were brought up in cities of 100,000 or more population.

Seventy-five per cent of the group had two American-born parents, 10 per cent had one foreign-born parent, and 15 per cent had two foreign-born parents.

All were born in families whose incomes were either average or above average in their communities. The parents' educational backgrounds were definitely above average, and in the great majority of cases the family relationship was harmonious.

Somewhat more than half of the fathers were engaged in professional or managerial occupations.

Thus, there is no indication that the successful executive of today fits the traditional picture of the immigrant or first-generation American boy struggling to rise above his humble beginnings, or the country boy striking out on his own in the big city. Further, there is fairly strong evidence that a good, solid, upper-middle-class home, with happy family relationships, is the best start an executive can have. Particularly significant is the thought that the influence of professional and management attitudes long before entering the world of work apparently helps to prepare a person for an executive position.

The group members themselves were generally well educated. The average level of formal education was slightly above third-year college. Specifically, 22 of the participants, or 67 per cent, were graduated from college—a very high figure considering that only about ¼ of 1 per cent of the total population of this country was even enrolled in college 30 years ago, when most of the participants were attending college. Of the 22 college graduates studied, four were graduated from schools of commerce, four pursued engineering courses of various types, and as many as fourteen received their degrees in the liberal arts. A predominant majority of the college-trained group thus received a general and varied educational experience.

Also significant is the fact that these individuals participated to a great extent in extracurricular activities and held numerous offices at high school and college.

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What aspects of the executive position did the group members like best? Almost half were very much interested in day-to-day dealings with people. It was found that 87 per cent were at least moderately concerned over what subordinates thought and said about them, and 51 per cent were deeply concerned.

A majority of the group members stated that skill in human relations was most important in their own advancement.

Among other qualities mentioned as helpful to advancement were the capacity to analyze facts and to understand and correctly solve problems, supervisory ability, a high degree of personal ambition, and a desire to improve the over-all value of their organization.

In view of the deluge of recent newspaper and magazine articles describing the executive as a person ravaged by ulcers, kidney stones, colitis, and the need for rest cures, the findings in regard to executive health are especially interesting. These top-level executives treated the stresses and strains arising from their business dealings as something natural, to be taken in their stride, and claimed to enjoy good health on the whole.

For the most part, the executives studied had superior mental ability. That the group as a whole ranked above 96 per cent of the general population of business and industrial workers, and that all but two of the individual executives were above 86 per cent, bears this out forcibly.

The popular picture of the top executive painted by many books, comics, movies, and TV plays was not borne out by the findings, which covered six different facets of personality.

1. *Seriousness.* The executives showed up as somewhat on the serious side. They tended to identify themselves closely with their positions and companies.

2. *Firmness.* According to the evidence of the tests, the group was comprised of positive and decisive individuals, who possessed the ability to view a situation as a whole and in terms of its components, to sort out the pertinent facts, and to come to a realistic conclusion about a problem.

3. *Tranquillity.* The participants, as a group, were adequately sensitive to things out of order, and when sufficiently provoked could be expected to express annoyance in a clear but controlled manner.

4. *Frankness.* The executives were found to be frank, sincere, and honest in their interpersonal dealings, though evidencing tact and diplomacy.

5. *Stability.* The group members showed up as average in emotional stability and self-confidence. That they did not appear to be more self-possessed might be explained in several ways: (a) There is some evidence that the executives were motivated to success by a need for accomplishment and a fear of failure; (b) the executive position, by its very nature, is conducive to anxiety; (c) most of the executives studied were rather advanced in terms of years and could be expected to feel that they were unable to perform as efficiently as they once had been.

6. *Tolerance.* The tests showed that the executives maintained high standards for their own performance and that of others.

If there is one broad implication to be drawn from this study, it is that an executive, to be successful, must feel himself an integral part of his organization and be vitally interested in the people around him. Hence, the man who can identify himself with his company to the degree that his greatest motivation and satisfaction stem from increased business development, and who has appropriate qualifications otherwise, will be a good bet for executive training.

—Robert M. Wald and Roy A. Doty. *Harvard Business Review,* July-August, 1954, p. 45:10.

## About Our Changed Format

*With this issue, the format of* THE MANAGEMENT REVIEW *has been altered in one major respect: Instead of being grouped under divisional headings as in the past, articles have been selected and arranged with a view to providing the reader with a broader and better-integrated picture of current trends and developments in management thinking and practice.*

*Whatever their degree of specialization, few jobs in management today are strictly compartmentalized in scope and function. Technical competence has never carried a higher premium, to be sure—but in his interests and his basic orientation, the manager of today is increasingly a* generalist *rather than a* specialist. THE REVIEW *has been reorganized for the express purpose of serving those broadening interests.*

*From a purely practical standpoint, it can be seen, too, that any grouping of articles under specific division headings must at times be somewhat arbitrary. However painstakingly the editors might attempt to classify subject matter in terms of specific divisional audiences, the inevitable result in some instances would be to segregate articles of interest to readers in several—or all—divisions.*

*In revising the format in the light of these considerations, the needs of the busy reader, in search of a specific type of information, have not been forgotten. For his guidance, the articles in each issue are classified under five major groupings in the* Table of Contents. *Moreover, articles of purely technical interest have been so designated wherever they appear. The brief summaries of articles of current interest which formerly appeared under the heading "Also Recommended . . ." at the end of each division have been consolidated in a separate section at the back of the magazine.*

*If, in this and subsequent issues of* THE REVIEW, readers find themselves *"sampling" material which does not fall strictly within their own fields of* specialization, *but which nevertheless serves their* general interests, *this reorganization will have accomplished its primary purpose. Their comments, in any event, will be welcomed—as will their suggestions for further improvements.*

—THE EDITORS

# INDUSTRY COURTS THE HAND THAT FEEDS IT

Every top executive knows how important good employee relations are, but management has been slow to learn the importance of good relations with stockholders—and sometimes the lesson has been taught the hard way. This year the managements of several large companies that never went out of their way to woo stockholders suddenly found themselves fighting for survival in bitter proxy wars. In some cases the awakening came too late. In many others, management had to take desperate steps, declare extra dividends and stock splits, and hurriedly beef up stockholder programs to keep from losing control.

In a poll of 1,000 stockholders, the Opinion Research Corp. (Princeton, N. J.), reported that 71 per cent wanted more than financial information. They also wanted news about new research and development, plant improvement and expansion, and the men who run the companies. The spreading of such information is a big job. The number of shareholders in U. S. industry has grown until now there are an estimated 6.7 million individual owners listed on U. S. stock exchanges. Though few own more than 100 shares in any one firm, together they control many of the nation's biggest and busiest corporations.

Management's need for better stockholder relations is more than just the problem of keeping control. For one thing, confident, well-informed stockholders will hang on to their stock, thus preventing rapid and often damaging speculation. For another, stockholders now form industry's handiest market for (1) raising new capital, and (2) selling its products. One company which had trouble raising $40 million for expansion before it brought out a better stockholders' program in 1947, recently raised $200 million without difficulty—largely from its own stockholders.

As salesmen and buyers, stockholders are even more important. General Motors alone has almost 500,000 stockholders, thus a "pre-sold" market for hundreds of thousands of cars. American Tobacco continuously urges its stockholders to "Buy American," and hands out cartons of Luckies to its shareholders to pass on to their friends. The Borden Co. tested customer acceptance of its instant coffee and cheese products by first passing them around to stockholders. General Foods puts on fancy spreads of its foods at annual meetings and maintains a special order department so that stockholders can buy (at cost) $5 gift packages of its products to give away as Christmas presents.

To educate stockholders and keep them eager to support the companies they own, some corporations have formed special departments to stir up stockholder interest. American Tel & Tel, with some 1.3 million stockholders, has a department with a full-time staff of more than 300 employees to handle its stockholders like members of one big happy family. A. T. & T. has even got its stockholders hotel reservations in New York and has met their boats, planes or trains when they travel. It sends welcome letters to all new stockholders, sends out a flood of quarterly reports and newsletters, and holds frequent open houses and meetings for stockholders at its local offices around the country.

General Mills has a traveling panel of 35 executives who visit stockholders in eight cities biennially, answering ques-

tions and explaining company projects with charts and movies. General Electric uses radio and TV commercials to boom the advantages of owning stocks. Financial reports are another method by which many companies have learned to educate their stockholders.

Gradually, companies are learning to hold their annual meetings in big cities instead of drab, out-of-the-way factory towns. Westinghouse has started holding regional annual meetings around the U. S. so that as many stockholders as possible can attend. Matson Lines takes its stockholders on a gala tour of its luxury liner Lurline. Chas. Pfizer & Co., maker of antibiotics, once brought in eight piebald baby pigs and a tiger cub to demonstrate the benefits of a new synthetic milk product. Chesapeake Industries perked up its annual meeting this year with a special preview of Hollywood's *Crossed Swords,* starring Errol Flynn and Italy's buxom Gina Lollobrigida, to show off a new film process developed by one of its subsidiaries. To entice stockholders to its meeting, the Public Service Co. of Arizona this year handed out polaroid glases to watch 3-D color photos of the company's construction projects.

Such programs cost money and take executives' time and energy. But corporations think they pay off by making stockholders active boosters of the company instead of mere moneylenders.

—*Time,* June 14, 1954, p. 98:1.

## New Companies on the Rise

NEW INCORPORATIONS are on the rise this year.

In the first six months of 1954, authorities of the 48 states granted 57,890 chart charters of incorporation, an increase of 6.3 per cent over the 1953 period and the biggest first half since 1947.

Nobody—not even Dun & Bradstreet, which gathers the statistics on the subject—knows exactly what is causing the increase. But the experts do have theories, centering around a combination of factors:

First, a larger than usual number of existing proprietorships and partnerships are being changed to corporate setups and thus are counted as new incorporations. Since the end of the excess profits tax on December 31, many businesses have found cash advantages in incorporating.

The increase in new companies has also been spurred, paradoxically, by unemployment resulting from the business recession. Experts say that many people who had planned some day to go into business for themselves suddenly found themselves furloughed from their jobs. With that nudge, they decided to take the plunge into independent operation.

It is estimated that about 5,000 changes a day are occurring in the business world: mergers, dissolutions, formation of new enterprises, shifts in the organizational status of existing ones. Of the total, about 1,500 are new businesses just emerging from the egg.

—*Business Week* 7/31/54

THE REAL TRAGEDY is the tragedy of the man who never in his life braces himself for his one supreme effort, who never stretches to his full capacity, never stands up to his full stature.

—ARNOLD BENNETT

# EXECUTIVE HEALTH PROGRAMS: A SURVEY

IN RECENT years, management has become highly concerned with the problem of executive health. An increasing number of large companies are establishing programs to safeguard the health of key personnel, and physical examinations on an annual or semi-annual basis have become standard procedure with a growing number of manufacturers.

According to a recent survey of 35 companies in Cleveland (an industrial area considered generally representative of U.S. industry as a whole), most companies having such programs are enthusiastic about them, reporting that the cost of the programs is more than justified by their results. As one executive put it: "We know that it pays to keep our equipment in the best possible shape, so why isn't it more important to keep our 'brains' in as good physical shape as possible?"

Of the 35 companies interviewed, 18 had plans, and it would appear that the larger the company, the more likely it is to have an executive health plan. For example, it was found that only five of 16 companies employing 500 to 999 workers had such plans. But of 19 companies employing 1,000 or more, 13 had plans. This relationship, however, may change, for most companies in both size groups are interested in executive health programs, and where they are not in operation, they are often under consideration.

How far down the line do such programs extend? As might be expected, there is wide variation in this matter. Some companies make the division on the basis of compensation, with only those earning $7,500 or $10,000 or more annually covered by the programs. In the large, multi-unit corporation, executive health programs may not reach below general superintendents and sales managers.

A big factor in the cost and effectiveness of these programs is the frequency of the examinations. In most cases, executives are examined once a year. A few companies reported a graduated schedule of examinations. For example, executives under 40 are examined once every two years on schedule; between 50 and 60 years of age, once each year; and between 60 and 65 years of age, twice a year. Another company reported that under its program the top 17 men were examined every six months. But perhaps the best program reported bases the frequency of examination on a man's condition. Under this program some men are examined every two years, some each year, and some more often.

Nearly half the companies make examinations compulsory. If the examining physician's report indicates a serious condition (and the company receives a copy) the executive is usually advised to have the condition corrected immediately. Other companies expect their executives to take appropriate action without such urging. In some cases the company medical director handles this rather delicate problem—an excellent procedure, particularly if a very serious condition is involved.

One of the factors which management must consider in setting up an executive health program is cost. On the basis of the survey, these costs range from $4 to $200 per man. Obviously, cost varies from man to man and annually as well, but the average cost-per-man in companies reporting an annual physical ex-

amination for executives is about $55.

The benefits of such programs are important and numerous, according to the participating companies. As a case in point, at one company where 10 men thought they had heart trouble, the examination revealed that they did not. Some 20 found that they did not have ulcers, and another 15 men needed operations and didn't know it. In addition to keeping the executive staff in competitive trim, these examinations serve to point up the desirability for training executive assistants where the load is too heavy.

Only two companies participating in the survey permit executives to choose the examining physician. Under some programs the company physician performs these examinations; under other programs, a clinic or hospital is designated where all examinations are performed. One company provides a list of doctors from which the executive may make his own selection; and another company employs specialists for the examinations.

There is a general belief that the busy executive can be more readily led to the cardiograph in the company plant than across town to a clinic. However, under most company programs, executives are examined either at a doctor's office or at a clinic or hospital. The companies having these examinations made at their dispensaries or medical centers are a minority.

Most examinations, it was found, are very thorough. At some companies, the examination varies with the individual, but in practically every case the examination approximates a typical insurance examination.

Under most programs, only the executive receives a report of the examinations. But there are a number of interesting exceptions to this practice. For example, some companies require that a copy of the report be sent to the company medical director. In one of these cases, if the report shows anything serious, it goes to the executive's superior; at another company, the president may request a copy. Other programs require that copies of the medical reports be sent to the industrial relations director, who is in turn guided by the recommendations of the examining physician.

—*For the Informed Executive* (Associated Industries of Cleveland), September 1, 1954.

## *The New Tax Law—More Changes Ahead*

FURTHER REVISIONS in the federal tax law face next year's Congress. The new tax law is only the first step in achieving what President Eisenhower has called a "fair system with minimum restraints on sustained economic growth," according to Under Secretary of the Treasury Marion B. Folsom.

In at least six areas the Administration is committed to work on changes. Slated for attention are these problems: capital gains and losses, depletion and depreciation, income from foreign sources, taxation of co-operatives and tax-exempt organizations, excise tax provisions, penalty taxes on intercorporate dividends and consolidated returns, oil and mining industry problems, and simplification of pension, profit-sharing and stock bonus provisions. Some of these subjects were reserved for further study and not presented in the 1954 Revenue Code; others couldn't be revised in the new code because of Congressional objections or lack of time to work out compromises.

"We know the job of tax revision is not complete," Mr. Folsom told an American Management Association briefing session in New York. "In a growing and changing economy it is necessarily a continuing task."

## *What Happened to the Recession?*

THE CORPORATE OUTLOOK of America's "growth" industries is both bright and encouraging. In fact, it's incredible when you match it up against the dire pessimism intoned in some quarters only a few months ago.

In a recent spot survey, 30 bellwether companies—some of the biggest in America—were asked by The Advertising Council how much they intend to spend for plant expansion, new equipment and other capital improvements.

Although 1953 was the peak year for capital spending, these companies reported that in 1954 they were banking on America's future prosperity to the tune of *$4.1 billion*, the greatest expenditures in their history. Fourteen of these firms also projected their plans five years ahead, through 1958. This group alone will invest *$3.2 billion*, or an average of $640 million a year—again the greatest capital expenditures in their history.

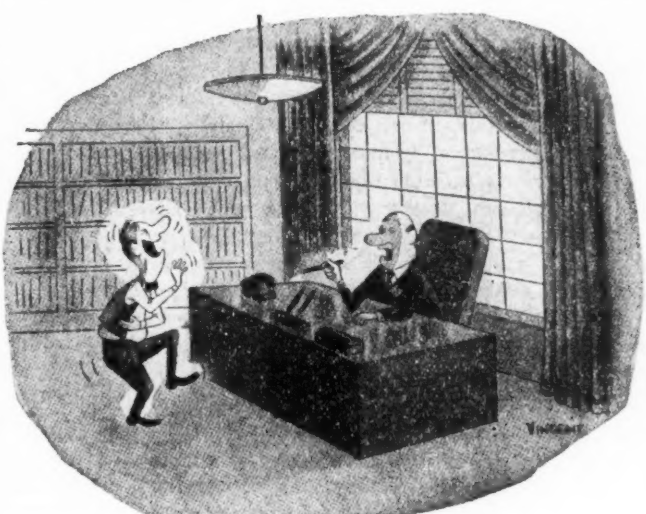
Now take a look at some of the profit reports for the first six months of this year:

General Motors recorded $883 million, before taxes. This is a new record, breaking the previous high of $803 million in 1950 for the same period. Westinghouse, RCA, Inland Steel, and Standard of New Jersey all broke records, to mention a few.

No depression here, is there? What a turnaround in a few short months!

In contrast to earlier and unhappier slumps, the recession of 1954 was "a sheep in wolf's clothing." It did not live up to its advance billing. It huffed and puffed, but it never really sat down for a long stay on our doorstep.

—RICHARD E. DEEMS in an address before the Advertising Club of Los Angeles.



**"When you're through laughing, Evans, I should like to finish the joke."**

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## CAPITAL SAVINGS THROUGH AUTOMATIC CONTROL

Too often, the adoption or rejection of a capital improvement is determined by the size of the investment it requires. However, the ultimate value of an automatic control system cannot be assessed solely on a dollars-and-cents basis.

Automatic control may be expensive, but it can be responsible for great capital savings. In a single plant, for example, substantial capital savings can be derived when automatic control permits a process speed-up, improves quality, reduces the investment in in-process inventories, provides a higher rate of machine utilization, or increases safety factors over manually-controlled equipment.

Automatic control can accelerate the plodding pace of many industrial processes. For instance, a contour milling operation, such as die sinking, requires the manual operator to manipulate three adjustment wheels. Automatic control, replacing the human operator, may increase permissible operating speeds to such an extent that the added investment for the control system is rapidly repaid by enormously augmented output. If automation, for a small investment, can increase the output of a given piece of equipment, any expansion of capacity will be achieved at substantial savings of capital investment.

Since the human limitations of manual controls can affect quality as well as quantity of output, automation frequently brings a double saving. One example of such a saving can be found in the aircraft industry. When a $250 automatic control was added to a $5,000 riveting machine, output rose 25 per cent, while parts savings went to 35 per cent. The percentage increase in output was five times as great as the percentage increase in capital investment. Savings in parts included fewer raw material losses and machine part replacements. In addition, work spoilage and the capital destruction that it represents were radically reduced.

The size of in-process inventories may be cut drastically by upping the processing pace with faster, automatic materials-handling equipment and automatic communication devices. An example of the latter is teletype or telescriber used by some companies in order sequence control. Order sequence control in an automotive assembly plant, for example, can shrink the size of subassembly banks. Without rapid communication, each station of the assembly line would need banks of all possible variations of a given subassembly. A particular automobile manufacturer may give its customers a choice of two wheel styles, 12 wheel colors, and four tire types. Without planned sequence control, banks of mounted tires would have to include at least five units per car for 96 wheel assembly varieties. Automatic communications will enable the correct set of five wheels to arrive at the line as the corresponding car passes. The added investment for the necessary communications equipment is partly or wholly offset by the savings in investment in inventories.

Automatic control can also lead to capital savings through more efficient machine utilization. In short production runs of metal-cutting equipment, for instance, a substantial part of a machine's potential running time is lost in the setting-up operation preparatory to starting a run. Several automatic control devices are available to reduce this set-up time. For set-up of relatively simple parts, a tracer which follows the contours of a template attached to the machine tool can

position the cutting tools automatically. Instead of hours, set-up time takes only minutes. The template is the only special tooling required. Tracer controls add about 5 per cent to the cost of the basic machine tool. But such control can multiply by many times that percentage the machine's effective capacity on short production runs.

Operation of equipment under hazardous conditions is capital-using in several ways. For example, it may be necessary to run the machines remotely or comparatively slowly to reduce the risk of injury to personnel. A common delay is found in a hand-fed punch press which must be equipped with an interlock device to insure that the operator's hands are out of the way before the punch descends. Automatic feed devices can spur press speeds by eliminating the risk of injury. Coupled with automatic programming devices, such as the one governing General Electric's television chassis, these devices make possible great flexibility in production.

Other hazardous conditions which result in actual destruction of equipment are irretrievably capital-consuming. One refinery found that temperatures had to be controlled critically during an early stage in the processing of a particular compound. If the temperature fell below 910°, the product would not meet specifications. But a 10° increase—to 920°—caused the kiln to burst into flame, endangering lives and damaging processing equipment. After a long, expensive period of manual control under these dangerous conditions, automatic control instruments were installed in the heating apparatus. Dramatic savings immediately ensued as production volume doubled and the losses due to fire damage dropped.

It should not be inferred that automation always, usually, or even typically saves capital from the very start. When a new plant is built today, automation, in common with older types of mechanization, is generally installed for the purpose of reducing the cost of direct labor.

But automation can also reduce the cost of capital investment. New plants can be built, or existing plants can be modified, with smaller capital resources than would be possible without automatic control and automation. And once the plants are in operation, their automatic features produce a reassuringly abundant yield per dollar of investment.

—JOHN SUMMERFIELD. *Automatic Control*, August, 1954, p. 4:5.

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$500,000,000,000 WORTH OF OPPORTUNITY: To strengthen public confidence in the American economic system and dispel false fears of recession, The Advertising Council, Inc., has prepared a 24-page illustrated booklet entitled *The Future of America*, which tells, in simple, concrete language, the story of America's continuing population growth ("11,000 new customers a day") and its economic significance for all Americans. Facts and figures from a variety of sources are brought together to dramatize the enormous potential future demand for public works, construction, new plant and equipment, etc.—all of which, says the booklet, "adds up to a $500,000,000,000 opportunity right now. . . . No matter who you are—no matter how you make a living—you, as an American, can *set your hopes high*. The better you know America, the better the future looks."

Single copies may be obtained gratis from The Advertising Council, Inc., 25 West 45 Street, New York 36, N. Y., which will also furnish information on prices of the booklet in quantity lots.

## The Boss's Bosses

THE POPULAR idea of a president's life is that he is an untrammeled monarch—a boss above all bosses, enjoying power with few limitations. This is romantic but highly inaccurate.

The truth is that the president's job violates the first principle of effective organization—the principle that a man should have one, and only one, boss. The corporation president has a whole series of bosses, some obvious and visible; others not visible but nevertheless powerful.

As an immediate group of bosses the president has the company's board of directors, the men who hired him in the first place and who have the power to fire him at will. Beyond them, the president has among his bosses the whole group of share owners, who can not only fire him but can also fire the board of directors, if they choose. And sometimes they do choose.

Most powerful, perhaps, among the president's unofficial and invisible bosses are the customers. He has to please the directors and share owners or he won't be president, but the power of the customer is still greater. The president has to please the customers or there won't be any business to get fired from.

Then there is the management group of the company. Theoretically, they are only agents of the president, to whom he delegates some of his powers and who function at his pleasure. Practically, he can no more act successfully without their consent than he could sweep the dust out of Kansas with a broom. If he is to be effective, they must believe in what he is trying to do—and that is not a matter of giving orders. That is a matter of persuasion, of securing consent.

I shall not do more than mention such other groups as dealers and suppliers and government officials, whose powers he must also heed.

And finally, there remains an extremely powerful group, the rank and file employees of the company, without whose loyalty and interests neither the president nor any of the other management people can function effectively or successfully. And that is not just a piece of polite or sentimental rhetoric. That is a fact of corporation life.

The president, then, is not an all-powerful ruler. On the contrary, his office is the center of all the pressures and counter-pressures which come to bear upon a company. If we used more accurate signs than we do, the sign on his door would not say "President" but would read, "Department of Pushing and Tugging, Pulling and Hauling."

—JOHN L. MCCAFFREY in an address before the Industrial Relations Association of Chicago.

## GETTING THE MOST OUT OF STAFF MEETINGS

ANYBODY who's ever attended a meeting or conference knows how difficult it is to get a productive discussion going.

Many a conference fails to accomplish anything beyond taking up the time of the participants. While any number of factors may be responsible in such situations, one cause deserves to be singled out for special attention. This is the status position of the leader, the boss. Frequently it is his authority that is responsible when a meeting is nothing more than a group of individuals sitting around a conference table exchanging agreeable palaver and waiting for clues from the boss by which they can guide their behavior.

One authority, Dr. Franklin S. Haiman of Northwestern University, analyzes this type of situation as follows:

The first major barrier to communication in a meeting is the belief on the part of staff members that what they say may be held against them by the boss. Although the boss may wish to discourage such an attitude, he often doesn't really know to what extent it is present.

The second major barrier is the boss's fear that the situation might get out of control and put him in an embarrassing position. Often the reason behind empty talk is that someone might get hurt in a frank discussion. Frequently the boss himself tends to create a "protective climate" in which nobody will come out with his honest views. Even the most well-intentioned and democratic-minded leader may be unconsciously trapped into overt or subtle behaviors which stifle discussion.

The third major barrier is the extent to which the boss is regarded by staff members—honestly or in pretense—as an expert.

Usually, people who hold positions of status and authority do so because of their superior knowledge or abilities. This consideration influences staff members to give much deference to the boss's ideas, and underplay or completely inhibit their own. And if they feel he ought to know more, but likes to think he knows all, they will behave in the same way.

Some of these difficulties are inherent in the superior-subordinate relationship—but some others arise from imaginary or exaggerated fears, and the thoughtful administrator can do much to allay them.

First, he must make it clear that he welcomes frankness, respects the right to disagree, and will not discriminate against his associates because of views which they express in group meetings. This will often be an up-hill struggle.

Second, by sharing with his group full knowledge of the limits imposed upon him—whether they be financial matters, rules laid down by higher authorities, or his own personal principles—the administrator should develop in his group the same feelings of self-restraint that he himself feels.

Third, the conscientious executive can easily solve the problem of flattery by letting it be known, honestly and directly, that the group's deference to him is unwarranted. Once the members are assured that he feels no need to have a pretense of his superiority maintained, they will be free to discuss the issues with him as an equal member of the group.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice).

A COMPANY CREED: *Many a management, though well aware of the necessity of reducing specific operating policies to writing, has never seriously attempted to set down in black and white the broader, less tangible body of principles that comprise the company's basic philosophy. The successful codification of a company's working philosophy can, however, contribute significantly to morale and team spirit as well as delineate more clearly the organization's basic character. A noteworthy example of such a company credo is that developed by Johnson & Johnson, which is reproduced below.*

# Our Credo

WE BELIEVE THAT OUR FIRST RESPONSIBILITY IS TO OUR CUSTOMERS
OUR PRODUCTS MUST ALWAYS BE GOOD, AND
WE MUST STRIVE TO MAKE THEM BETTER AT LOWER COSTS.
OUR ORDERS MUST BE PROMPTLY AND ACCURATELY FILLED
OUR DEALERS MUST MAKE A FAIR PROFIT.

OUR SECOND RESPONSIBILITY IS TO THOSE WHO WORK WITH US —
THE MEN AND WOMEN IN OUR FACTORIES AND OFFICES.
THEY MUST HAVE A SENSE OF SECURITY IN THEIR JOBS.
WAGES MUST BE FAIR AND ADEQUATE.
MANAGEMENT JUST, HOURS SHORT, AND WORKING CONDITIONS CLEAN AND ORDERLY.
WORKERS SHOULD HAVE AN ORGANIZED SYSTEM FOR SUGGESTIONS AND COMPLAINTS.
FOREMEN AND DEPARTMENT HEADS MUST BE QUALIFIED AND FAIR MINDED.
THERE MUST BE OPPORTUNITY FOR ADVANCEMENT — FOR THOSE QUALIFIED
AND EACH PERSON MUST BE CONSIDERED AN INDIVIDUAL
STANDING ON HIS OWN DIGNITY AND MERIT

OUR THIRD RESPONSIBILITY IS TO OUR MANAGEMENT
OUR EXECUTIVES MUST BE PERSONS OF TALENT, EDUCATION, EXPERIENCE AND ABILITY.
THEY MUST BE PERSONS OF COMMON SENSE AND FULL UNDERSTANDING.

OUR FOURTH RESPONSIBILITY IS TO THE COMMUNITIES IN WHICH WE LIVE.
WE MUST BE A GOOD CITIZEN — SUPPORT GOOD WORKS AND CHARITY,
AND BEAR OUR FAIR SHARE OF TAXES.
WE MUST MAINTAIN IN GOOD ORDER THE PROPERTY WE ARE PRIVILEGED TO USE.
WE MUST PARTICIPATE IN PROMOTION OF CIVIC IMPROVEMENT,
HEALTH, EDUCATION AND GOOD GOVERNMENT,
AND ACQUAINT THE COMMUNITY WITH OUR ACTIVITIES.

OUR FIFTH AND LAST RESPONSIBILITY IS TO OUR STOCKHOLDERS.
BUSINESS MUST MAKE A SOUND PROFIT
RESERVES MUST BE CREATED, RESEARCH MUST BE CARRIED ON,
ADVENTUROUS PROGRAMS DEVELOPED, AND MISTAKES MADE AND PAID FOR.
BAD TIMES MUST BE PROVIDED FOR, HIGH TAXES PAID, NEW MACHINES PURCHASED,
NEW FACTORIES BUILT, NEW PRODUCTS LAUNCHED, AND NEW SALES PLANS DEVELOPED.
WE MUST EXPERIMENT WITH NEW IDEAS.
WHEN THESE THINGS HAVE BEEN DONE THE STOCKHOLDER SHOULD RECEIVE A FAIR RETURN.
WE ARE DETERMINED WITH THE HELP OF GOD'S GRACE,
TO FULFILL THESE OBLIGATIONS TO THE BEST OF OUR ABILITY

# WHAT'S WRONG WITH OFFICE MANAGEMENT?

FEW TOPICS are more irritating to most top managements than clerical productivity. Though most executives are vaguely aware of the problem, too few appreciate the potential of scientific office management to solve it.

Yet in those few instances where company officials have encouraged and insisted on scientific office management, the results have been startling. The U.S. Steel Corporation, for example, put in clerical cost controls and estimated their savings in 1950 at $1 million.

Savings of these proportions can be made only by applying scientific techniques in the office similar to those that have become almost standard in the plant. Yet only 25 per cent of the companies polled in a recent survey had an office methods study program; only 32 per cent had a records and forms control program; and only 4 per cent were using flow process charts! Other polls have turned up the fact that less than 50 per cent of U. S. companies measure some part of their clerical output. Furthermore, productivity studies show that clerical people rarely produce at more than 50 per cent of their capacity.

Why top management permits its office staff to fly by the seat of their pants when it insists on the maximum of precision and control in the plant is a story with many ramifications.

It begins with the simple fact that few executives are chosen from the ranks of office management. Historically, top executives have come predominantly from production and sales, with a sprinkling recently from financial and legal management.

Then there is executives' psychological reaction to office work. As one man put it, it is not a "crisis" operation on which company survival may depend. It is merely overhead.

The ironic fact about management's neutral attitude toward the office is that executives themselves have unwittingly turned the office into the communications center of the company. Over the past two decades, with the increasing emphasis on decentralization and diversification, the conference or committee management system, the expansion of staff functions, and just plain growth, management has demanded an increasing spate of data and reports, at shorter intervals, with more details, and more copies.

Today, most executives are not only getting most of the information they think they need; they are getting it to the point where they are driving their office managers mad. For example, in one company executive demands for office services may increase to the point where the office manager must hire 10 or 20 persons within a two- or three-year period. Since labor costs usually run about 85 per cent of total office costs, his new budget is greeted with raised eyebrows.

He analyzes his operation, finds that by installing new equipment here, streamlining his systems and procedures there, he can pare down his labor charge and do a better job. Because he can prove savings, he gets authority to go ahead. Gradually, however, management discovers that even finer details, new groupings of data, and more copies are possible with the new equipment and methods, and they want them instead of current reports. So the office manager jumps back on the merry-go-round, hires four more

people, and prepares to have his budget questioned all over again.

Though inefficiency, dated equipment, Gothic methods, and high costs are ultimately the fault of management, two other groups in this picture share the blame.

One is the office managers themselves. With a few exceptions, they have generally disregarded advice by office associations and magazines on the use of scientific techniques.

Part of the reason goes back again to top management, which is notoriously reluctant to appropriate money for office equipment or a thorough review of existing methods. Part of it stems from the fact that office managers "grow up" with the system, are comfortable in it, and have no real incentive to change it. And part of it is the fact that the office organization is often weirdly confused. There is no central authority—except, perhaps, on the organization chart. Practically no paperwork begins and ends in the office. Most paperwork starts somewhere else, passes several departments, and affects finance, production, and sales, plus record-keeping functions. Because he isn't in a position to cross departmental lines, the office manager cannot recommend the broad procedural changes that are needed. And, in turn, the executive he reports to usually concentrates on another major area of responsibility. Moreover, he often lacks sufficient background in office methods and procedures.

The office equipment manufacturers are beginning to see that they have made some serious blunders, too. Except for a handful of companies, they have seldom tried to get their story across to top management. Their pitch has been almost exclusively to supervisory management. Also, though they have been producing excellent pieces of equipment, they have ignored the need for standardization. In company after company, equipment is produced and sold on the basis of design alone, with little thought of its suitability for the whole system.

In the last few years, spurred perhaps by the approaching evolution toward common-language data processing and electronics, this type of thinking has begun to change. In fact, one board chairman of a large equipment firm, going overboard in the other direction says, "We've stopped our salesmen from using the word *machines;* it's out of the vocabulary entirely."

But the real core of the problem to-day is that *office management* is not yet in the executive vocabulary.

—*Dun's Review and Modern Industry,* September, 1954, p. 76:4.

## *Tips on Training Correspondents*

FINDING FAULTS in company correspondence is easier than correcting them. But a concerted effort on the part of management can effect some real improvements.

The company that decides to give a course or print a manual is doing only a fragment of the whole job. If employees are to learn to write better, they need continuing and varied instruction.

Course instruction is the foundation on which the rest of the program should be built. An hour's meeting once a week, attended by not more than 20 writers, is helpful in stimulating group interest and resolving common problems. Letter writers should also have the opportunity to discuss their writing privately with the instructor.

Manuals should be used to emphasize the importance of the company's com-

munications, outline the qualities sought in the company's letters and reports, and give examples to follow. Bulletins are likewise important, because they appear regularly and continue over a long period of time. There is no reason why any other form of company writing cannot benefit from bulletin treatment.

Many companies provide model letters, paragraphs, and even phrases to guide correspondents. The Metropolitan Life Insurance Company provides a *Gobbledygook List* which has two columns labeled respectively *The Gobbler Likes to Say* and *It's Better This Way*.

When company turns teacher, it needs above all to practice patience. A program that lasts for two or three months and then disappears has only a minor and a temporary effect. Of course, group instruction can be an on-and-off affair or limited to one or two sections a year, bulletins can be suspended during the summer, and regular review of carbons can simmer down to an occasional look; but on the whole, at all times throughout the organization there should be some evidences of management's continuing interest in good writing.

—J. Harold Janis in *Printer's Ink* 7/9/54

## Average Plant Investment: $12,000 Per Worker

THE RELATIONSHIP between investment in plant facilities and employment is illustrated by a report, "Investment for Jobs," recently released by the U. S. Chamber of Commerce. The table below shows the findings of the study on the approximate investment per worker required in manufacturing industries in the postwar period:

| *Factor* | *Amount* | *Percentage of Total* |
|---|---|---|
| Machinery and equipment | $ 3,197 | 25.5 |
| Building | 3,155 | 25.0 |
| Inventory | 2,943 | 23.4 |
| Working capital | 2,868 | 22.8 |
| Financing costs | 232 | 1.8 |
| Land | 186 | 1.3 |
| Miscellaneous | 24 | 0.2 |
| Total | $12,605 | 100.0 |

Since the total labor force in the nation is growing by approximately one million workers per year, it is evident from this study that an annual investment of $12.6 billions is required if the country simply is to hold its own against unemployment. Moreover, it will be necessary to invest other billions to provide new employment for other workers released by increases in efficiency, and for others displaced in declining industries. All this makes clear the vital importance to our economy of tax policies that encourage industrial expansion.

# PENSIONS WITH A COST-OF-LIVING TWIST

PENSION PLANS are off on a new tack, with a tie-up between the cost-of-living index and the employee's pension check. Recently National Airlines, Inc., announced such a plan, probably the first to get nationwide attention.

National Airlines has provided pensions since 1943. Like the majority of today's industrial pension plans, NAL's was a fixed-dollar annuity scheme that made no allowance for changes in the purchasing power of the dollar. At National, as elsewhere, "retired" workers were coming back for part-time work to eke out their inadequate pension incomes. Now, 415 of NAL's 2,878 employees are covered by the new plan, and another 1,152 will join as soon as they have worked for the minimum five years for eligibility.

Inflation has long been recognized as an enemy of the security that pension plans are designed to provide. Employees who retire on pre-inflation dollars are often squeezed between rising costs of living and their fixed incomes. To ease this pinch, companies sometimes boost pensions from time to time by a fixed percentage or an allowance across the board. National Airlines' plan goes a step further. It provides for automatic adjustment of pensions according to the fluctuation of the cost-of-living indexes, both before and after the employee retires.

Each year, the National Airlines employee is credited with a unit of pension; when he is ready to retire, each of these units is adjusted separately to reflect the rise in the cost of living since the unit was originally credited. The cost-of-living index of the Bureau of Labor Statistics is the guide. (A clause in the plan holds the year-to-year increase to a maximum of 7.5 per cent.)

When the employee retires, he is given a base index figure that shows the cost-of-living level at that time. After that, the amount of his pension is reviewed and adjusted, if necessary, every six months. Changes are made if the cost-of-living index moves more than 5 per cent above or 10 per cent below the pensioner's base figure. In each case, the change is figured by the number of percentage points in excess of the 5 per cent or 10 per cent.

Chances are slim that NAL pensioners will ever have to take a cut in their monthly payments. The airline's actuaries and those of the National City Bank of New York, after studying the course of the cost-of-living index since 1820, determined that only twice in this period would pensions have been cut under the new NAL plan. In setting up the plan, NAL figures that the cost-of-living actually will rise 1 per cent a year on the average.

NAL's old plan fixed 65 as the retirement age. The new plan is more flexible; an employee can choose to retire any time between ages 65 and 68, though the company retains the right to force him to retire during this period. Moreover, the retirement time can be postponed on a year-to-year basis. NAL finds it economical to let qualified employees work beyond age 65; for example, it pays out 40 per cent less in pensions for a man who retires at 70 than for one who retires at 65.

Employees don't contribute to NAL's plan. Up to now, pensions haven't been subject to negotiation, and they aren't mentioned in any labor contracts.

Support for the plan comes from an investment fund originally capitalized by the airline. Investments follow a formula of 50 per cent in common stocks and 50 per cent in bonds and mortgages. This formula helps to keep funds in step with living costs. Economists have shown that there is a rough correlation between the purchasing power of the dollar and the yield from common stocks.

—*Business Week*, July 10, 1954, p. 138:2.

## THE ABSENTEEISM PROBLEM TODAY: A SURVEY

ADEQUATE attention to and control of absenteeism pose one of the most important of all personnel problems. Measured in terms of lost production, added personnel, and sick pay, absence costs, in the aggregate, are substantial.

To obtain usable data on normal absence levels and methods of controlling absenteeism, the Merchants and Manufacturers Association of Los Angeles recently conducted a survey which is believed to be the largest of its type ever conducted in a single community. Cooperation was obtained from 219 firms employing over 109,000 people in the Los Angeles metropolitan area. These companies ranged in size from 20 to over 30,000 employees. Participants from retail and wholesale trade; banking, insurance and finance; privately owned utilities; service industries; and each of the major manufacturing classifications were included in the survey. Participating firms were asked to keep a daily record of absences for a one-month period and to provide information on methods used to control absenteeism in their own companies.

Absences included in the count were those in excess of four hours in any one day, authorized or unauthorized. Specifically excluded were those of less than four hours; absences due to industrial accidents; authorized leaves of absence and vacations.

A number of authorities in the industrial relations field have expressed the view that absenteeism probably runs around 6 per cent of all working time nationally. Against this, the results of the Los Angeles survey indicate an overall absentee rate of 2.8 per cent for the month studied. Eliminating exempt salaried employees (managerial, professional and technical) from the calculation, the rate is an even 3 per cent.

Absentee rates for night shifts were generally higher than for the day shift, the "graveyard" shift showing the poorest record. This general pattern holds true for both male and female employees, and for hourly paid as well as nonexempt salaried employees.

With few exceptions, the absentee rates of office employees (non-exempt) were lower than for shop (hourly) employees, and managerial, professional and technical personnel (exempt) had the best record among the three groups.

Supporting the generally accepted assumption, absence rates among female employees were generally higher than among males. Generally, absence rates for nonmanufacturing firms were somewhat lower than in manufacturing.

Confirming the results of other, small-

er studies, the M & M survey shows Monday to be the day of most frequent absences (3.3 per cent). Wednesday and Thursday, with rates of 2.6 per cent, show the best records. Employers providing sick pay were found to have a slightly higher average absentee rate (3.1 per cent) than those which did not have sick pay (2.8 per cent).

The survey period chosen included a holiday, so that the effects of company policies requiring attendance before and after the holiday in order to be paid for the holiday could be measured. The validity of this practice was supported by the survey results, which showed a 1.9 per cent absentee rate on the day before the holiday for those firms requiring employee attendance on that day in order to receive holiday pay, as compared with a 2.3 per cent rate for those not having this requirement. Consistent with this is the absence rate of 2.0 per cent on the day after the holiday for those requiring work on that day, versus 3.6 per cent for the other firms.

Although the absence level among firms employing 1,000 or more persons (3.2 per cent), was slightly higher than the general average (3.0 per cent), several of the largest participating firms had rates well below the average. One large banking institution recorded a 1.7 per cent absentee rate for the survey month.

Another commonly held idea is that the longer the work week, the higher the absence rate. The survey findings fail to support this view: Average absenteeism rate in companies with a work week of more than 40 hours was 2.9 per cent, as against 3.0 per cent for firms having a work week of 40 hours or less.

In connection with the work week, it should be noted that very few schedules call for work in excess of 48 hours. Several studies in England and the United States have shown that extended work weeks, followed over a long period of time, do produce excessive industrial fatigue, a decrease in productivity, and an increase in absenteeism.

—M & M *Survey Analysis* (Merchants & Manufacturers Association, 725 South Spring Street, Los Angeles 25, Calif.), September 24, 1954, p. 1:4.

## *Near-Accidents Should be Reported, Too*

ALMOST EVERY COMPANY encourages workers to report accident hazards. This practice is commendable as far as it goes—but is it always possible to recognize an accident hazard? Recent publications of both the National Safety Council and the American Institute for Research suggest it is not.

A near-accident or "close call" may not appear to result from a potentially recurring source of danger—until a qualified person examines all the facts. Unfortunately, reports of these near-accidents are seldom made. The conditions go uncorrected until a real accident happens—and then, of course, it's too late.

The American Institute for Research offers an interesting conclusion about methods of reporting, based on studies of plane near-accidents: More reports, and more comprehensive reports are filed if, instead of moving through regular channels, they go to some impartial or independent group. In industry, that would probably be a safety engineer, committee, or the personnel department. Interestingly enough, this result held even when the reports were submitted anonymously.

—*Factory Management and Maintenance* 4/54

## STOPPING THE THIEF IN YOUR PLANT

THERE'S a little larceny in all plants, a lot of larceny in most. It adds up to a bill of around $500 million a year; probably even higher. Nobody knows.

Some plants don't even bother to report a theft. They feel it's bad publicity —or they want to keep it quiet so that other employees won't get ideas in their heads. Others just aren't able to report their thefts, because their inventory-taking and theft-reporting systems are so poor that they don't even know when they're being systematically looted.

Insurance is a vital part of any company's defenses against employee dishonesty. But it won't stop people from stealing—and you can't collect if you don't even know when a theft has occurred. But you can make it tough to steal, and let employees know you mean business. Here are some concrete guides:

Tell employees the facts of theft. A good publicity program can cut theft losses by as much as 50 per cent. It's by far the easiest and most effective way to combat crime in the plant. Also, urge employees to notify the plant security people immediately when articles are missing. The sooner a loss is reported, the quicker management can take action. Stories on cooperation from local police, the plant guard force, and your crime detection methods can show a potentially dishonest employee what he's up against —in a subtle way. Foremen, of course, should be encouraged to report losses or strange doings. But discourage them from becoming "private eyes" on company time. Catching thieves is no job for the amateur.

Discharge any employee caught stealing—no matter how small the "take." Most companies, however, allow the man to resign for any reason he may want to give. No black mark goes into his personnel record.

Set a good example. Employees usually know when an executive has taken home company tools, materials, or products for personal use—or even used company labor to get a job done at home. Many plants have discovered that thefts have seasonal ups and downs during layoffs, vacations, etc. In some cases particular groups of workers are responsible for particular types of theft. One company found that new employees tended to steal tools, and long-seniority employees took materials for use in the home. Oftentimes employees steal because they feel they're entitled to a break in using plant tools and equipment and in buying company products. Many plants give employees a break by lending tools, selling or giving away materials, and selling slightly irregular products at greatly reduced prices.

Be sure to let your union know your intended policy against offenders. An informal survey of 21 plant security specialists showed that in all but two companies unions were very cooperative. It's wise to include a union representative at employee hearings.

Tighten up your physical plant controls. Don't limit yourself to one type of protection at the expense of others, and don't over-secure. One company hired an ex-state trooper to run the security organization— and gave him a blank check to work with. Before long he had, in effect, a miniature state police organization on the payroll.

Concentrate your thinking along these five lines:

1. *Surveying your security needs.* The best places to get help in making your

survey are insurance companies that have loss-prevention services; outside loss-prevention consultants; or some of the larger detective agencies. They'll make a complete study of your plant to learn where you need guards, alarms, special locks, fences, and the like.

2. *Taking better inventory.* Unless plant people are trained in taking a physical inventory, their lack of experience and knowledge will result in duplications, omissions, or improper counts. Whenever possible, inventories should be taken by employees from other departments. In this way you are better able to forestall cover-ups of thefts.

Insist that departments with an unsatisfactory loss experience take frequent recounts during the inventory-taking period. And check inventory of precision tools monthly. Advance notice will give employees a chance to replace tools they "borrowed."

3. *Control of keys.* Does anyone in your plant actually know how many keys are in circulation? You should keep a record of all locks together with their location. Then maintain a register of all keys issued. Every key so issued should be signed for.

4. *Building a better guard force.* Don't hire a man who's too old to do a good job, or who won't enforce rules strictly. Spot guards in strategic locations—and lay down specific rules. If a guard is not sure of his duties, he may take his job too seriously and endanger employee morale—or too lightly, thus endangering company tools and materials.

5. *Securing your buildings.* For entrances and exits, always use locks of approved make. For stockrooms or areas that contain valuable material, equipment, or finished parts, a complete time-recording lock and interlock system can give you an accurate record of every opening, closing, and re-entry. Where a watchman is in close attendance, audible alarms can be used for fast indication of thefts or break-ins, though not relied on entirely.

Finally, put a qualified man in charge of the whole program. Internal security is a big job; it takes a man who can manage, who's a good organizer, and who has a good feeling for the sound use of ordinary management tools.

—*Factory Management and Maintenance*, October, 1954, p. 84:6.

## Safety Capsule

NEW EMPLOYEES should not be overloaded with safety instruction. They can take only small doses. C. W. Kirsch and Co. (Sturgis, Mich.) gives its newcomers these six concise pointers:

1. Before starting a new job be sure you understand it. Don't be afraid to ask questions.

2. Before starting a machine, check to make certain that the safety devices and guards are in place and in good order.

3. Be sure to use all safety equipment provided for your job.

4. Horseplay is a major cause of accidents. Avoid injury to yourself and others.

5. Wear safe clothing. Do not wear clothing such as loose ties that might get caught in machinery.

6. Good housekeeping reduces hazards. Pick up scrap. Put tools away when not in use.

—LAWRENCE STESSIN in *Mill & Factory* 6/54

## *The Case for Industrial Health Programs*

THE HUMAN ELEMENT in production averages from 70 per cent to 80 per cent of the total cost of production. When you consider the amount of money spent to protect material assets of plants, machinery and equipment, which represents but 20 per cent to 30 per cent in the creation of wealth, and compare this with the money spent to protect the human assets, which represent 70 per cent to 80 per cent in the production of wealth, the conclusion is warranted that we cannot see the forest for the trees.

Industrial injuries cause only about 10 per cent of the total loss of productive time from disablement of the human being in production. Non-occupational accidents account for another 5 per cent. Sickness causes 85 per cent. Why then do we concentrate preventive measures on the potential 10-per-cent loss and forget about the 85 per cent?

True, workmen's compensation laws have placed a dollar value on occupational injury. Moreover, the causes of accidents are in themselves objective and can in large part be minimized and eliminated. But all this still cannot account for the paradox encountered in all too many plants where nurses are put on the payroll and confined in a germ-free cubicle, located in an isolated spot in the plant, for the purpose of assisting a physician in bandaging minor injuries arising on the job.

Today, not by law but by fact, the health of the individual is as much part of making a profit out of productive enterprise as is industrial safety. It is common today for industry to be paying three and four times as much for employee health insurance as for workmen's compensation insurance. The loss ratios on the health insurance are running from 85 per cent to 90 per cent, while compensation loss ratios average from 60 per cent to 65 per cent. And even if the government should take over completely, industry would still have to support the plan through either increased taxes or increased wages to cover the taxes imposed upon the employee. In spite of these facts, so obvious that any novice in business can see them, it is amazing how much missionary work has to be done to persuade a large segment of industrial management to spend even a few dollars on a constructive health maintenance program.

—A. M. WILSON in *Industrial Medicine and Surgery* 5/54

## *Medical Departments Pay Their Way*

MANY COMPANIES with under 500 employees believe that a medical program would be too expensive for them—chiefly because they are unaware of the savings and protection a good medical department can bring.

However, a survey made by the Industrial Hygiene Foundation of a cross-section of representative companies showed that those having a medical department reduced compensation costs by 50 per cent; accident frequency by 45 per cent; occupational diseases by 63 per cent. Absenteeism and turnover also showed significant declines.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 7/31/54

INDUSTRIAL COFFEE BREAKS are now a regular practice with more than half of the workers in the U. S., according to a Psychological Corp. survey. More than 54 per cent of the nation's employed persons have coffee available to them during working hours, compared with some 49 per cent in 1950, the study shows. On-the-job coffee drinking in offices climbed 33 per cent in the period, as against a 19 per cent increase for all workers.

# THE OLDER WORKER: ASSET OR LIABILITY?

BECAUSE there has been much talk in management circles about the effectiveness of older workers, with relatively few facts offered in support, several well-known midwestern organizations were asked recently to cooperate with the Bureau of Business Management of the University of Illinois in a survey on the effectiveness of older industrial, retailing, office, and managerial personnel.

The findings described here were elicited through three separate studies, covering a total of 3,077 personnel sixty years of age and older (78 per cent male, 22 per cent female) in 81 organizations.*

In obtaining data concerning older-worker effectiveness, complete reliance was placed on supervisory opinion. It was believed that confidential evaluations prepared of older personnel by their immediate supervisors are the best indices obtainable of older worker competence and performance.

*Age of workers.* The average age of personnel in the survey group was approximately 64. The survey group was distributed as follows: 60-64 years, 1,940; 65-69 years, 821; 70-74 years, 225; 75 and over, 91.

The high percentage of employees in the 60-64 age group is doubtless due to the fact that in approximately one-half of the cooperating organizations employees are required to retire at 65 or shortly thereafter.

There were several employees in the survey group who were 80 years of age. One was a tool worker who had been with his present firm for 59 years. He was given an over-all rating of "good" and was reported by his supervisor to be capable of rendering at least two more years of satisfactory service. Another employee of 80 was a man employed in an insurance company whose work consisted of checking insurance applications. He had been employed by his company for less than a year and was rated by his supervisor as "good." It was reported that he had no apparent age-connected weaknesses, and that it appeared he would be able to continue working for an indefinite period.

*Length of service.* Only 24 per cent of the older workers in the survey group had spent 30 or more years with their present organization. Surprisingly, 38 per cent of these older workers had been with their present organizations less than 10 years.

*Over-all performance.* The ratings assigned by supervisors to the 3,077 older personnel in the survey group were distributed as follows: excellent, 14 per cent; very good, 28 per cent; good, 38 per cent; fair, 18 per cent; poor, 2 per cent. No important differences were noted in the ratings assigned to employees in the four age categories.

*Absenteeism.* Older personnel were rated by their supervisors as being much less prone to absenteeism than average younger personnel, as shown by the following ratings: less absenteeism, 66 per cent; about the same, 25 per cent; more absenteeism, 9 per cent.

*Dependability.* Fully one-half of the senior workers were regarded by their supervisors as being more dependable than average younger workers, and only 6 per cent were considered less dependable.

*Each of the three studies has been published, and copies of the individual reports are available upon request to the Bureau of Business Management, University of Illinois, Urbana, Ill.

*Judgment.* Only the office and managerial group (about one-third of the total) was rated on the element of judgment. Supervisors rated older workers, in comparison with younger workers as follows: better judgment, 33 per cent; about the same, 57 per cent; poorer judgment, 10 per cent.

*Work quality.* All older workers except those in the retailing group were rated by supervisors on the quality of their work, in comparison with average younger workers: better, 34 per cent; about the same, 59 per cent; poorer, 7 per cent.

*Work volume.* There was a slight decline in work volume paralleling advancing years. Nevertheless, even in the oldest age category (employees 75 and over) 10 per cent were reported to have a higher work volume, 59 per cent were reported to have a volume about the same, and 31 per cent a lower volume of work than average younger personnel. In other words, more than two-thirds of the oldest personnel in the survey group were rated as having a work volume as good as, if not better than, average younger personnel.

*Remaining years of service.* One of the most important questions asked in the study related to the number of additional years of productive service which supervisors believed older personnel would be able to give their present jobs. Twenty-six per cent of the survey group were rated "indefinite"—i.e., showing no signs of weakness or decline that would suggest a specific limit on remaining working years. Of the remainder, the average individual was estimated to have before him approximately 5½ years of additional service.

*Age-connected weaknesses.* Supervisors were asked to list any weaknesses in employees which they regarded as age-connected. It was startling to find that 69 per cent of these employees were rated "none"—indicating that they had no apparent age-connected weaknesses. Of the remainder, the weaknesses noted, in order of number, were general slowing down, poor health, psychological difficulties (such as forgetfulness), impaired eyesight, and impaired hearing.

It should be borne in mind that the older personnel in this survey group represent a highly select group in several senses: Only those with the best apparent capabilities were selected for employment, only those with high motivation have continued to work, and only the fittest have survived dismissal.

The findings of the survey do, however, strongly suggest that unfavorable attitudes about the usefulness and capacity of senior employees should be reappraised. Management need not be magnanimous about utilizing older people. There is a growing and imposing assembly of evidence that older workers as a group are considered by their supervisors to be productive and competent—even when their performance is compared with that of average younger workers.

—*Business Management Aids, No. 15.* Bureau of Business Management, College of Commerce and Business Administration, University of Illinois, Urbana, Ill. 8 pages. Gratis.

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SALARIED PERSONNEL at Nash-Kelvinator Corp., Detroit, meet for dinner once a month for eight months a year. Different departments make presentations. The forums enable Nash people to become better acquainted with one another and with the company as a whole.

—*American Business*

# EVALUATING YOUR SALESMEN'S COMPENSATION PLAN

THE STRONGEST driving motive of most salesmen is pay. Even though prestige, authority, opportunity for advancement, job security, territory, sales aids and equipment, training, and supervision may be less than ideal, the average salesman will continue to produce sales if his pay level and method of payment is satisfactory.

This doesn't necessarily mean you have to raise a salesman's pay to bring about increased sales efficiency. Often salesmen are disgruntled less because of the amount of pay than because of the method of payment. Here are some check points to help you make a realistic audit of your sales compensation plan, which is so vital to the morale and the productiveness of your salesmen:

1. *What do you pay your salesmen for?*

Review the objectives of your company. Check how many of these objectives your salesmen play a part in accomplishing.

Next, review the activities you expect your salesmen to perform. All those activities which are controllable by the salesman and measurable by management should be tied to salesmen's compensation.

2. *How should your salesmen be paid?*

In the past 15 years many companies that formerly paid a straight commission have added a guaranteed draw or salary base, and those formerly paying a straight salary have added some form of bonus or commission incentive. More recently, companies that had adopted some form of combination plan have been further refining their plans.

One large industrial firm requires its salesmen to set their own quotas. If the salesman hits his quota exactly, his pay is greater than if he goes over or under his quota. And, of course, the higher the quota the higher his earnings can be.

In another company, the salesman is given a base salary and a quota. He receives a commission on all sales above his fixed quota—and his wife receives a separate bonus equivalent to 25 per cent of his earned commission. The salesman's bonus money cannot exceed one-quarter of his base pay for one year. The wife's bonus, however, has no ceiling; if her husband's commissions exceed one-quarter of his base pay, she will still receive her 25 per cent.

3. *How much must you pay to obtain and hold effective salesmen?*

From time to time you should check the amount paid by competitive companies for comparable sales jobs. If your pay is too low and you have a good training program, you may well find that you are becoming a recruiter and trainer for competing companies.

A salesman should seldom receive less pay than the typical buyer he calls on. If your salesmen are paid less than most of the buyers they encounter, they are likely to start leaving your sales force for buying jobs or going into business for themselves.

4. *When should you pay your salesmen?*

At least some part of the salesman's remuneration should be paid monthly or oftener, following his performance. You should also decide whether commission payment should be made when the merchandise order is received, when the customer accepts the merchandise, or when the customer pays for the mer-

chandise. If there are seasonal business peaks, should the salesman be paid more for those peaks—or should his remuneration be levelled off to avoid too-great variations in income from month to month?

There are a number of ways you can test a new compensation plan: (1) Calculate how the new plan would have worked out if it had been applied to the past performance of salesmen, especially in turning-point years. (2) Explain the proposed plan to your salesmen, and ask them what they feel might be wrong with it. (3) Check your plan against comparable plans used in other companies, and find out what their experience has been.

Relation between earnings and effort expended, split commission arrangements, "loading" of customers, establishing a system for setting quotas, and deciding whether "fringe" benefits might be more desirable than a straight pay increase, are all problems that require especially careful attention.

Among the factors that may affect the proper level of payment for different salesmen are the product, products, or service sold; whether the territory is a new or an established one; the salesman's ability and future; the extent of advertising; and competitive strength.

There is no perfect salesmen's compensation plan. The best you can hope to come up with is a compromise between what you and what your salesmen consider best. Any plan that is set up to accomplish too many objectives will become too complicated to administer and will be viewed with suspicion by salesmen who can't understand it. Nor can you expect a payment plan to be a substitute for efficient management. Your payment plan for salesmen, although a primary factor, is only one of the many tools you must use to get effective sales results.

—CHARLES L. LAPP. *Southern Industrial Supplier*, June, 1954.

## ON THE VANISHING TRANSOM

ONE GOOD THING about the trend to air-conditioning is that there will be fewer offices with transoms. It will be better that way. When there aren't any transoms, people won't expect any orders to be thrown over them, and will go out after the orders the way they should.

Orders over the transom were never a good thing for any business. In the automobile business, just to cite one in which we are told orders would not be unwelcome, salesmen are so busy watching the transoms that they don't see the prospects when they come in the door.

That's the trouble with orders that come over the transom: You don't see the customer, and therefore you don't know how he came to buy. Another trouble with over-the-transom orders is that if you get too many you're likely to deceive yourself into thinking that whatever you're selling is so darn good that it sells itself.

There isn't any such product and there never will be. Emerson's celebrated mousetrap was the purest fiction. The truth of the matter is that our homes and offices and plants are full of a lot of things that would have been replaced long ago with improved products, except that the people who invented the improve-

ments sat around and waited for orders to come in.

Then, when orders didn't come pouring over the transom as expected, they got discouraged and figured that maybe their product wasn't as good as they'd thought it was. So they started imitating their competitor, whose product wasn't as good but who was getting the business.

And that's a perfect way to wind up in the soup.

It takes a certain amount of conceit to do a good job in any field; but if you don't sell that conceit to other people, you are bound to lose it yourself.

You haven't really sold your product until you have sold the customer your own ideas and convictions regarding it. So the next time an order comes in over your transom, remember: You may be taking an order—but you haven't completed a sale.

—ROY O. EASTMAN. *Medical Marketing*, (Medical Economics, Inc., Rutherford, N. J.)

## What Buyers Want

MOST BUYERS would welcome with open arms any salesman who would offer them the following propositions:

1. A straightforward, intelligent presentation of the product, backed up by a thorough knowledge of what it will do and why. When a salesman is unable to answer simple, fundamental questions, or has to fumble around on shipping data or the latest price changes, the buyer begins to have his doubts about the proposition.
2. A reasonable working knowledge of the buyer's problems. A smart salesman will make a really conscientious effort to learn at least the fundamental things about his customer's product before he calls.
3. A willingness to answer ethical questions, honestly and completely. There are certain questions, however, that the salesman will be wise to sidestep. If you discuss a competitor's business with one customer, he can only assume that on the next stop his own product will be under discussion.
4. A resolve to sell a customer not just an item or a service but something that will lower his costs, improve his product, or increase his efficiency. Put yourself in the buyer's shoes—wouldn't you welcome someone who came in to help you lower your costs or improve your product?
5. A willingness to make available to the customer any research or experimentation done by the seller in the customer's field, including any suggestions for refinement of the customer's process.
6. The ability to sell not only his own product but new ideas, new facts, new horizons. You have to have imagination to put this one over—but it pays big dividends when the chips are down.
7. A reasonably complete knowledge of his company's production plans, together with its current delivery schedules and the required lead time needed—as of the moment.
8. A positive belief in the importance of the inventory factor in these changing times, and a real desire to keep the customer well supplied, but not oversold.

—DAVID M. MEEKER in *Sales Review* 8/54

WHAT TYPE of woman makes the best saleslady? A recent study showed that it is highly desirable to hire married salesgirls—since, among other reasons, they are more firmly rooted in town and more accustomed to getting along with people.

—*Journal of Commerce*

## *Help Yourself!*

SELF-SERVICE at the retail level is making gains in many fields. In addition to the large number of grocery and drug stores selling on this basis, variety stores are now going in for it in a big way. In a study covering 50 different self-service variety stores, made by the National Cash Register Co., the following results were tabulated:

1. Average volume of the 50 stores was increased by 28 per cent when the shift to self-service was made.

2. The number of employes on the payroll was reduced by 8 per cent.

3. Totals paid out for salaries remained about the same because most stores raised wages by about the same amount they saved by reductions in the work-force. The ratio of salaries to sales, however, was cut from an average of 12 per cent to 9 or 10 per cent.

4. Clerk aisles were eliminated, adding 40 per cent to space for displays.

Self-service won't work in all departments of all stores. Women don't want to select high-style items from the racks, any more than expensive tools can be handled on a self-service basis by the hardware merchant. But here's a point to ponder: Less than 20 years ago there were solemn warnings that self-service would be dropped by the grocery stores once the depression ended; less than five years ago even the more ardent self-service advocates in the grocery business were highly skeptical that ready-cut meats, packaged, would ever catch on with housewives. Experience has proved that you can't draw a hard and fast line and say self-service will or will not work in any particular field.

—*The Biddle Survey* **(Biddle Purchasing Company, New York) 5/4/54**

## *How's Your Telephone Timing?*

WE DON'T KNOW who drew up this schedule of the most appropriate times to call different types of prospects, but we suspect the telephone company may have helped. In any event, it seems like a good idea to cut this schedule out and put it in your phone book for easy reference.

1. Executives and business heads—after 10:30 a.m.

2. Physicians and surgeons—between 9 a.m. and 1 a.m.; and between 1 p.m. and 3 p.m. Some between 7 p.m. and 9 p.m.

3. Dentists—before 9:30 a.m.

4. Lawyers—between 11 a.m. and 2 p.m.

5. Stock brokers and bankers—before 10 a.m. or after 4 p.m.

6. Contractors and builders—before 9 a.m. or after 5 p.m.

7. Professors and school teachers—at home, between 6 p.m. and 7 p.m.

8. Public Accountants—any time during the day, but avoid January 15 through March 15.

9. Druggists and grocers—between 1 p.m. and 3 p.m.

10. Publishers and printers—after 3 p.m.

11. Merchants, store heads and department heads—after 10:30 a.m.

12. Chemists and engineers—between 4 p.m. and 5 p.m.

13. Clergymen—any time after Tuesday.

14. Small-salaried salespeople and government employees—call at home.

15. Housewives—between 10 a.m. and 1 p.m.

—*The Mutual Link*

# WALL STREET AS A BUSINESS BAROMETER: AN ANALYSIS

During the past year the level of stock prices on the New York Exchange has risen about 30 per cent. The rise began in September, 1953—about two months after business started to decline. Stocks continued to advance throughout the entire decline in business during the fall of 1953 and continued during the first eight months of 1954, after business had leveled off but was showing only spotty signs of revival.

Does the rise in stocks mean that a business boom is ahead? Do the buyers of stocks have insights into the economic future that most of us lack? What is the effect of the rise in stock prices upon the economy itself?

By and large, the stock market has a rather poor record of forecasting business trends. Its most glaring failure to forecast was, of course, in 1929, when stock prices reached an all-time peak just ahead of the worst depression in the country's history. Nor does the recent history of the stock market indicate that it is a good forecaster.

For example, stock prices in 1945, when corporate profits were running about 70 per cent greater than in 1939, were low by pre-war standards; yet not until the middle did stock prices as a whole begin slowly to reflect the doubling of corporate profits between 1945 and 1949. Today, the Securities and Exchange Commission's index of the prices of 265 common stocks is about 80 per cent higher than in 1949. But there has been no corresponding jump in corporate profits since that time.

This record does not suggest that the rise in the stock market during the past year is best explained by foresight. To some extent, it may be explained as a continuation of the belated adjustment of stock prices to the post-war earning power of industry. However, the explanation for the rise in stock prices boils down to two principal reasons: (1) the recession and Federal budget policy were reducing the demand for investment-seeking funds while the supply remained virtually unchanged; (2) the drop in the tax liability of corporations kept stocks attractive by preventing for business as a whole a significant drop in profits after taxes. Moreover, the institutional buying of common stocks, especially by pension and profit-sharing trusts, has considerably increased in importance during recent years. The support to prices from a steady demand for the best stocks helps to provide the foundation on which a boom in stock prices can be built.

How does the unusual condition of a boom in stock prices in the midst of recession affect business?

In the face of the low proportion of incomes spent for consumer goods in the spring of 1954, one cannot plausibly argue that it has had a major effect on consumption. The effects of rising stock prices on investment are also too small to measure. Business concerns have spent on plant and equipment about the amounts that last October—before the rise in stocks had gone very far—they announced they intended to spend. The boom in stocks has not been the cause of more abundant funds; it has simply been one of the results.

Finally, the contribution that rising stock prices make to the general spirit of optimism and confidence is undoubtedly less important than such bits of evidence as rising contract awards, rising new orders of manufacturers, expansion of public works by states and cities, and reductions of inventories by manu-

facturers and retailers. But the bull market in stocks does help to strengthen the optimism that rests directly on other foundations.

Perhaps the most encouraging fact about the recent boom in stock prices is that it provides an additional bit of evidence that the old-fashioned business cycle is being broken up into a number of more or less independent cycles which do not move up and down together. It has not been usual for stock prices to rise—or for expenditures on housing to rise and outlays on industrial plant and equipment to remain steady—while production and employment were dropping. And yet these things have happened during the recession.

What has been going on during the past few years has been a gradual loosening up of the entire economy so that the different parts of industry (construction, consumption, the purchase of plant and equipment) move more or less independently of each other. The boom in the stock market in the face of declining production helps confirm the view that the old-fashioned business cycle is being destroyed.

The public and private policies that are accomplishing this will undoubtedly be broadened and strengthened. In a free economy there are bound to be fluctuations in different industries, but these fluctuations need not be permitted to reinforce one another.

The private business policies which are helping to loosen up the economy, such as long-range investment planning by managements, were not invented for the specific purpose of making the economy more stable. They have been the result of better staff work in business management and of the great growth of industrial research. As managements gradually discover that the business cycle is being broken up, they will be more and more disposed to develop long-range investment plans. This in turn will assist the break-up of the cycle. Meanwhile, the government is continuing the process of strengthening the built-in stabilizers, such as unemployment compensation, old-age pensions, and fiscal and credit policies.

Surely the days when Americans must accept pronounced ups and downs of business as inevitable are fast coming to an end.

—SUMNER SLICHTER. *The New York Times Magazine*, October 3, 1954, p. 9:4.

## *They Saw It Coming*

OMINOUS PUBLIC PRONOUNCEMENTS by pessimistic observers of the American scene are actually nothing new; in fact, viewing with alarm is an old—if somewhat discredited—U. S. custom. As evidence, consider these historical specimens of the limp upper lip, unearthed recently by *The Controller*:

"All is darkness and despair. As a nation we are at the bottom of the hill." (*Detroit Free Press*, 1837)

"Nothing in this country is safe, solvent or reliable." (*Philadelphia Gazette*, 1857)

"Collapse is a grim reality. The days of the Republic are numbered." (*New York World*, 1873)

"On every hand there is depression, wreck and ruin. We can't go much farther." (*New Orleans Picayune*, 1893)

"The old ship of state is sinking. Even Morgan is using the subway." (*Wall Street Journal*, 1907)

# JOB EVALUATION: A SURVEY OF COMPANY PRACTICES

Of all the problems connected with job evaluation programs, none seems to be greater than that of getting cooperation from executives, employees, and unions. Most people feel a natural and honest resentment at the idea of being added up like numbers—and in spite of the many statements that "Job evaluation rates the job, not the employee," the job is a part of the person, and employees feel that way about it. So the biggest problem is that of communications, of proving to the employee that job evaluation can be to his advantage.

Of 92 companies replying in a recent survey conducted by the Dartnell Corporation, 82 per cent indicated that they have job evaluation plans. The average time that the job evaluation programs had been in effect was almost eight years, and some programs had been in operation as long as 25. Many respondents said that while their present programs had been in effect only a few years, formal job evaluation had been going on in their companies for over 30 years.

In rating jobs, the factors considered by almost every company included physical requirements, mental qualifications, general abilities needed, special skills, special training and experience. In many jobs it was necessary to consider working conditions. The value of the machines and equipment entrusted to the employee also entered the picture.

There are four basic types of job evaluation plans. Judging by the survey, the point rating system is far and away the most popular of these; 64 per cent of respondent companies are using it, and another 12 per cent use a combination point rating and factor comparison plan. Another 12 per cent use the factor comparison plan; 6 per cent use the classification plan; and the remainder use the job ranking, point rating and job ranking, and job ranking and classification plans.

Of the plans in force, 74 per cent are not a part of union contracts, although in some cases the union participated in the committee work when the plan was being instituted. Many companies said they were working toward union participation and recognition, but that it was a slow process.

In 49 per cent of the companies, the job evaluation program was installed by company personnel; usually the group included an experienced wage and salary analyst. Others in the group were usually a member of the accounting department, the personnel administrator, office manager, and a representative of the general manager or general superintendent. Twenty-seven per cent of the plans covered in the survey were originally installed by outside consultants. The remaining plans (24 per cent) were installed by company personnel and outside consultants working as a team.

Jobs are re-evaluated in 48 per cent of companies whenever the job content changes. In most of the others, the re-evaluation is done on a time basis. Usually the exception is stated as "annually, or as required." Of the firms re-evaluating jobs on a time basis, about half do it annually.

Of the companies having job evaluation programs, 45 per cent also have merit-rating programs. Many respondents pointed out a close tie-up between their merit-rating and job evaluation programs.

Why install a job evaluation program? The respondent who noted that his com-

pany had installed a job evaluation program "because it's the thing to do" didn't mean that job evaluation is a fashionable fad. Uniform pay and equity were principal reasons (57 per cent) given for job evaluation programs. It is worth noting, too, that about 10 per cent of companies noted that the job evaluation program was helping out considerably in grievance and negotiation procedures.

—*Personnel Administration Service* (The Dartnell Corporation, Chicago)

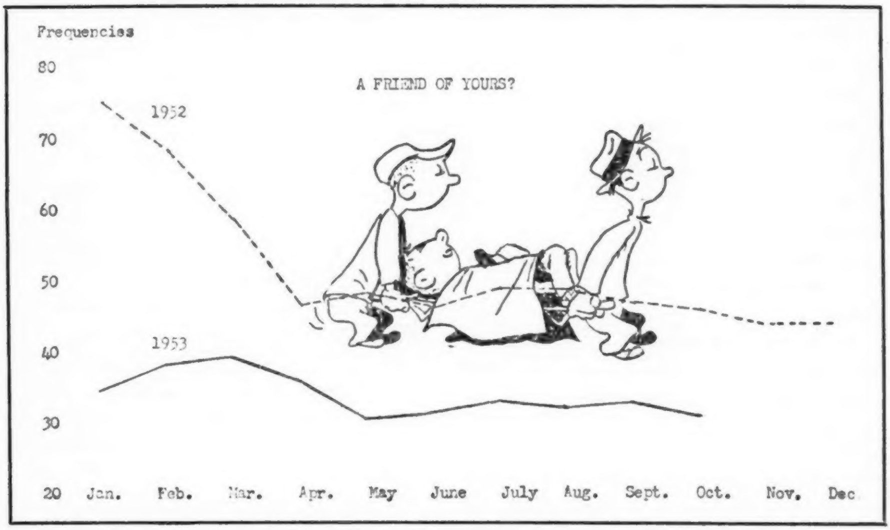
## *Dramatizing the Safety Record*

A GRAPHIC and effective way of bringing accident facts home to employees was used recently in the employee newsletter of the New York & Pennsylvania Co., Inc. (Johnsonburg, Penna.). Making use of a cartoon-graph approach developed originally by the National Safety Council (below), the company calls attention thus to a marked drop in the accident frequency rate at its Johnsonburg Mills:

"Charts mean little to most people. However, this one has a personal angle, because every employee in the Mill had a part in its development. It represents the number of people who were seriously hurt in the Mill in terms of each million hours worked.

"Last year we had a total of 115 accidents where the injured man lost at least one day's work. Through the efforts of our safety director, the support and interest of the Mill supervision, and perhaps most important, the active participation of the operating employees as members of the Safety Housekeeping Committee, this figure for the first 10 months of this year is down to 54 people hurt.

"That's no record to brag about yet. But—and here's where this chart means something to you—the improvement in our safety record means that 61 men, you and your neighbors, would have been painfully injured if you hadn't improved the Mill safety record. . . . When we consider it as representing ourselves and the people we know, the chart illustrates a swell reason for getting behind and staying behind a good safety program."



**For the Specialist . . .**

# CHOOSING AN INSURANCE BROKER: ONE COMPANY'S METHOD

To ESTABLISH a workable procedure for selecting a broker, management at the Swinerton & Walberg Company (San Francisco, Calif.) studied the position of the part-time buyer of insurance, his relations with his broker, and his requirements from the broker.

After several conferences, it was decided that the best approach would be to form a committee to investigate our brokerage set-up and to interview interested brokers. This committee consisted of our general manager, the controller and assistant, an attorney from our legal firm, our outside Certified Public Accountant, and general manager (myself).

In order to cover the field of inquiry fully, we divided the responsibilities of this committee into four parts, and each member agreed to pursue his assigned portion to his own satisfaction. The management representative took the subject of the broker's service capabilities. To discover whether the broker could give us the service that we need and expect, the following questions, many of them pertaining to our particular business—construction—were asked:

1. What facilities are available in the broker's office for handling a contractor's account?

2. What facilities does the broker have in other areas of this state and in other states?

3. Is the broker equipped to perform the function of credit advisor on other contractors and subcontractors? Is he equipped to give this service on short notice?

4. What experience has the broker had in associated fields of contracting, including the awarding bodies, architects, engineers, subcontractors, and materialmen?

The legal representative assumed as his assigned field the adaptability of the broker to the special problems of our business, such as bonding requirements, joint venture protection, and others. Some of the questions asked in this field included:

1. What experience does the broker have in the performance bonding field?

2. What experience does the broker have in handling joint venture business?

3. What experience and capability does the broker have with regard to the proper selection of subcontractors and material-men and their bonding?

4. What is the volume of bonding business handled by the broker, and what buying power with the surety companies does this give the broker? Can he write a bond on short notice?

Our Certified Public Accountant inquired into the organization of each broker, the specialties of the broker, and the volume of the broker's business. Some of the questions asked here were:

1. Approximately what is the broker's annual volume? Of the annual premium volume of the broker, what are the major divisions by business?

2. What are the major divisions of the broker's total annual volume as related to the various fields of insurance?

3. What is the experience of the broker with relation to the financial statements and tax requirements of his clients?

4. What is the organization of the

broker? How many people are employed in his principal offices? What branch offices does he have?

The fourth category, which I pursued as the insurance representative on the committee, was to inquire into the broker-buyer relationship and the service that the buyer could expect. Some of these questions include:

1. Is the broker equipped to handle all types of insurance required?

2. What specialists does the broker have in his office for handling our individual policy requirements?

3. How much detail is the broker equipped and willing to handle?

4. Is the broker capable of assuming positive control over the carrier selected so that the insured will not have to administer the policies continually?

Here are several questions which any company may use in selecting a broker:

1. Is a specialty broker required by either the nature of the business or the degree of the insurance work done within the firm?

2. What can the broker do for you that you cannot do for yourself? Does the broker have markets or influence in insurance markets that you cannot muster?

3. Is your premium volume important to the broker? Is it too great a percentage of his total business?

4. How many people are in his office and how do his offices look? How many people in his office are acquainted with your business and will be handling your account? How many experts does he have?

—GEORGE FOUCHE. *The National Insurance Buyer*, September, 1954, p. 23:2.

## *Fire Protection Can Be Built In*

INDUSTRIAL FIRMS that are planning to build new plants in suburban or rural areas may find some useful ideas in an ultra-modern $750,000 plant recently opened in St. Charles, Ill., by Bert Mills Corporation, manufacturer of automatic coffee vending machines.

The plant operation is described by insurance officials as "a model of fireproof construction."

The firm's insurance advisors were called in at the initial planning stage. The result: "the most fireproof plant possible to build" and minimum fire insurance rates for a factory structure in a rural area.

The main safety feature of the giant plant is a single-piece, 40,000 sq. ft. roof of poured concrete. Supported by concrete columns, the roof will not give way even under heat intense enough to buckle steel girders. This type of construction added about 35 per cent to the building's roof construction costs, but the company regards it as "well worth the investment if it means we can save machinery, stock, and most important, lives."

Insurance officials advised building firewall sections between plant and offices, and made recommendations on the location of wells and pump housing, fire hydrant placement, and a number of other fire protection features. Other built-in fire protection features include firewalls around paint spraying and paint storage areas, and automatic sprinkler systems in those departments. The firm dug its own wells to assure water supply at all times, and an employee fire brigade is trained to go into action the instant fire is discovered.

—*National Safety News* 8/54

# OFFICE COMMUNICATIONS TODAY: A SURVEY

IS YOUR office using the best available means of "moving" information—and is it using them to the greatest advantage? One check is to examine your procedures in detail from the standpoint of work simplification. Another is to compare your procedures with other offices of similar size and type. Following are some of the key findings of a survey on communications practices in 2,406 companies in more than 100 cities in the United States and Canada. The offices covered in the survey, which was recently completed by the National Office Management Association, employ a total of over half a million persons—the exact figure is 598,956.

*Respondents*: The average number of employees in reporting offices was 249; the average total employees in reporting companies, 706. The ratio of all employees to office employees is 2.84 to 1.

The largest number of responses came from manufacturing businesses (37 per cent) with insurance (11 per cent), wholesale (11 per cent), and retail (9 per cent) firms following in that order. Office staffs numbering from one to 25 were reported by 792 companies, or 34 per cent of the total group. The 26-100 group was represented by 709 reporting companies, 31 per cent of the total. Five hundred and seventy companies (25 per cent of the total) employ between 100 and 500 office workers, and the remaining 10 per cent employ more than 500 clerical workers.

*Telephone and telegraph usage.* The average number of employees per telephone was 2.9. In the banking business, it was 3.1. Construction and extractive industries have 1.9 and 2 employees per telephone respectively. Most were grouped near the average. The insurance business uses fewest telephones per employee. Small staffs have the least number of employees per telephone.

Training employees in the use of telephones was reported by 46 per cent of the respondents; larger companies tend to be more training-minded than small ones. Telephone training was by written manual in 27 per cent of the companies where training is given.

Ninety-eight per cent of all companies reporting in this survey allowed incoming personal calls to be received by office employees: 88 per cent any time, 6 per cent only during off time, 6 per cent only with special permission. Almost complete freedom is permitted in timing such calls. Outgoing personal telephone calls by office employees are permitted by 96 per cent of the companies: 77 per cent any time, 12 per cent off time, 11 per cent with permission. Pay stations are provided for office employees in only 23 per cent of the reporting companies.

Eighty-three per cent of the companies use their outside telephone systems for internal communications. The practice becomes more common as the office grows. Seventy-four per cent of the smallest companies take advantage of the procedure, as against 96 per cent of the companies with 1,001 to 5,000 in the office.

Eighty-six per cent of the participating companies employ switchboard operators; 63 per cent of these switchboard operators also act as receptionists. Forty-seven per cent of the switchboard operators are asked to do clerical work in their spare time. Only in companies employing staffs of 5,000 or more is switchboard operating regarded as a full-time job.

The survey asked, "Do you instruct on

how to determine whether to use regular mail, air mail, telegram, station-to-station telephone, or person-to-person telephone?" Only 61 per cent were able to answer "yes"—which indicates there is room for improvement. No type of business is outstanding for a high percentage of such instruction. The highest was only 66 per cent, reported by wholesale houses.

Fifty-three per cent of the companies conduct programs to explain rates and uses of telegraph services to employees. As the size of the staffs grows, more training is given.

Seventy-six per cent of the reporting companies use messengers for transmitting communications.

*Mail.* Eighty-two per cent of the companies do not count their incoming mail, and 66 per cent keep no record of the number of outgoing pieces. However, for the companies that do count mail, the number of incoming pieces of mail each week is approximately 4,900 for each company, or a grand total of 6,622,510 for the 1,356 companies that report this. Weekly outgoing mail averages 9,500 pieces—a total of 13,550,686 for the 1,424 companies that reported.

The average number of employees making up the mail-room staff is 4.2. In banking it is 6.6; in construction it's 1.5, and in educational institutions 2.6.

Eight times as many companies use the mail-room employees for other work in free time as do not. About half of the companies open the mail room early in order to distribute the mail at normal office opening time. In about two-fifths of the companies, the mail room works after normal office hours to clean up the day's work.

Half the mail is opened, by 66 per cent of all companies, in the mail room; by 9 per cent, in each department; in 20 per cent, by secretaries; and in 5 per cent, by addressees. Sixty-one per cent of the companies with mail rooms use a mechanical letter opener. Personal mail is delivered unopened by 97 per cent of the companies.

Time stamping of incoming mail is practiced in 47 per cent of responding companies, and date stamping in 70 per cent. Without exception, date stamping is more common than time stamping by type of business and size of staff—an indication that the general information is helpful but the office is not run on split-second timing.

Nine per cent of the businesses distribute mail once a day, 29 per cent twice a day, 24 per cent three times a day, 15 per cent four times a day, and 23 per cent from 5 to 32 times a day. As the size of office staff increases, so does the number of times the mail is distributed. Twenty-three per cent of the companies pick up outgoing mail at the same time incoming mail is distributed.

Forty-nine per cent of all companies have mail delivered by the postman: 15 per cent once a day, 39 per cent twice a day, 36 per cent three times a day, and 10 per cent more often. Seventy-five per cent of the companies call for their mail at the post office: 32 per cent once a day, 36 per cent twice a day, 19 per cent three times a day, etc. The figures indicate that about 25 per cent of the companies use both methods. Eighty-nine per cent used company employees, while 11 per cent used outside services in calling for mail. As the staffs increase in size, the tendency grows for companies to call for their own mail.

Fifteen per cent of the companies fold mail material mechanically, and 75 per

cent use machine sealing. Of these, 43 per cent use a machine with a manual feed and 57 per cent use one with an automatic feed. Eleven per cent use sheet stamps, and 7 per cent use coil stamps, while an additional 3 per cent use envelopes with government-embossed stamps. By far the most popular method of stamping (79 per cent of respondents) is with a metering machine.

—*Communications in the Office: Survey Summary No. 15.* National Office Management Association, 132 West Chelten Avenue, Philadelphia 44, Penna. 1953. 28 pages. $5.00

## MAKING SALARY ADMINISTRATION PAY OFF

BEFORE IT can function effectively as an instrument for good productivity, any salary administration program must have an underlying philosophy to keep it on the track and prevent unwarranted costs. An often-repeated slogan is "A fair day's pay for a fair day's work." A more preferable one might be: "Better-than-average pay for better-than-average work." In any case, the words must mean something in the day-to-day operations of the salary plan.

Any sound salary administration program has three major objectives: first, to secure a fair return to the company for each salary dollar spent; second, to pay employees in relation to their individual contributions to the operation of the company; third, to pay at least as well as other companies pay for the same kind of work and, equally important, pay at rates which are adequate for desirable living.

The first technique that must be employed to meet these objectives is position evaluation. This must be administered as objectively and scientifically as possible; otherwise the other aspects of salary administration will ultimately fail. Are our position evaluation systems providing a sound basis upon which to set up equitable salary scales, build true patterns for promotion, install merit increase programs, and provide simplified and rapid training? Are they administered to analyze the real differences in work, or are they devices to satisfy particular departmental and employee pressures? Do they actually distinguish between levels of professional and technical work?

Too many factors in the job evaluation plan can make interpretation to the employee impossible. Often the factors are too general or overlap too much to permit management to explain why one job should be paid differently from another. Also, jobs are sometimes allocated to a salary scale by title rather than actual evaluation of the work.

A second technique is the setting of adequate salary ranges to which the various levels of positions can be allocated. Many plans give too much spread to the range, thus increasing salary costs. Others, providing too little, fail to build incentive. In some plans there is so much overlap between salary ranges that when a person is promoted from one job to another there is little opportunity to reward him. A continuing pressure then arises to reclassify jobs to salary ranges higher than is warranted by the nature of the work, especially where able employees are involved. Often, the maximum of a salary range is set at the rate prevailing outside the company—which means that when

hiring new employees, the company must pay at or above the maximum of the range to obtain needed personnel. The practical result is a "one-rate pay system," despite the existence of salary ranges.

A third technique is position control. Very few companies control positions as accurately as they do their accounts or premium deposits. Yet only an accurate control of positions—not only as to number but also as to salary grade, title, and organizational location—can tell a company where it is going salary-wise. It is also helpful in preventing an unwarranted increase in new positions. Though position control might seem not to be needed when an organization is expanding, this is actually when it can help most in keeping costs down and indirectly getting greater productivity from existing positions.

A fourth technique is the allocating of salary increase budgets through some form of relationship between the mid-points of the salary ranges and the actual salaries being received by people in those ranges. When merit increases take the form, in practice, of general increases, salaries tend to creep to the maximum of the salary ranges. Where this has happened, the company is probably paying more than it should for the work being accomplished, provided the ranges are set properly. Lacking a system that compares actual salaries to mid-points of salary ranges, a company is likely to allocate too much or too little for salary increases. Too few companies actually try to allocate salary increase budgets to a department or a division by objective criteria.

A fifth technique, merit rating, is necessary for determining the worth and productivity of individuals related to the budget for salary increases—that is, if we are to avoid having only one rate for each position and rewarding individuals without regard to their productivity. There is a common tendency to grant so-called "merit" increases somewhat automatically without sufficient regard for the results of merit ratings. Are we fooling ourselves by installing the most difficult personnel tool, merit rating, just to tell people nice things about themselves? Merit rating is useless unless salary increases can be related to it.

In planning salary increase programs and in projecting salary trends, it is of great value to ascertain not only the amount of salary savings realized as turnover occurs and people are replaced, but the levels at which most of these savings occur. This information enables the organization to avoid building serious salary problems for itself in the future. For example: If there is no turnover above a given salary level, and increases are continuously given year after year above that level without regard to productivity, it is obvious that problems are developing.

In the early 1940's, organizations began to install salary administration plans to meet manpower requirements. From 1945 to 1950, however, the trend toward the installation of position evaluation and salary administration plans really made headway. Most of these are already out of date although they have existed for only five or six years. Have we failed to use the proper techniques to keep them up to date? Have we made a yearly audit of all positions to determine whether they are properly allocated? Have we measured each position's worth internally and externally against similar jobs? Have we allowed exorbitant rates to be paid for certain positions to meet labor shortages? Have we upgraded jobs to meet pressures within the company, without giving

thought to the effect of such upgrading on the whole structure?

Probably many companies that provide salary ranges for positions are confronted by the problem of a great host of individuals approaching the maximum of their salary ranges. Already some companies have adopted super-ranges to reward long-service employees who have been at the maximum for a number of years. Isn't this a make-shift method, and doesn't it eventually result in a new maximum for all salary ranges?

One of the primary questions of the next five to ten years in the field of salary administration may be whether companies will take the easy way out and decide to pay a single rate for each type of position. This could be a blow to salary administration plans designed to reward productivity and capacity.

By the use of techniques designed to bring about the setting of proper salary ranges, the budgeting of salary increases, measurement of individual performance on the job, and equitable salary increases, order can be maintained in salary administration, and productivity can even increase. Are our techniques and procedures succeeding in this?

—From an address by GEORGE WILGUS before the Life Office Management Association.

## *Poor Supervision—Cause of Absenteeism?*

ABSENTEEISM may be caused by a number of factors: people get ill, family members die, some urgent personal business can only be attended to during business hours. But when none of these is involved, is it plain lack of responsibility which makes people stay away from their job? A recent study sponsored by the Detroit Edison Company produced no direct answer to that question, but it did reveal some pertinent and interesting facts:

Sixty-nine per cent of employees in work groups with low average absence rates said that they felt free to discuss job problems with their supervisor. In the groups with high absence rates, less than a third felt that they could approach their supervisor freely with job problems.

Absences, moreover, appeared to be directly related to how the employee feels about his supervisor. As the index of satisfaction with the supervisor went up, the absence rate went steadily down. Moreover, supervisors who treated their employees in a satisfying manner had also been rated as "immediately promotable" by their own bosses.

Of the employees in groups having low absence rates, almost 70 per cent were satisfied with their opportunities for advancement. In the high-absence-rate groups, only about a third felt they had satisfactory promotional chances.

Almost 70 per cent of employees in low-absence groups were satisfied with their pay, while only 43 per cent of those in high-absence groups felt they were paid enough.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice) 8/31/53

HOLIDAYS ON THE HOUSE: An incentive plan used by a Danish grocery chain entitles employees to a certain number of miles of travel for each item sold. The idea has proved so popular that the firm is getting a full-time travel advisor "to relieve our employees of all their worries about how to spend their well-earned mileage." One employee recently earned a total of 5,600 miles.

—*Executives' Digest* (Waterson & Fried, Inc., 347 Fifth Avenue, New York 16, N. Y.) 5/54

## *More Paid Holidays for Plant Workers*

COVERAGE OF PLANT workers by formal provisions for paid holidays has been on the upswing for the past three years, according to recent Bureau of Labor Statistics community wage surveys in 17 large cities.

By early 1954, more than 80 per cent of plant workers in each of these cities were covered under holiday-pay provisions. And in five areas—Chicago, Minneapolis-St. Paul, Newark-Jersey City, Philadelphia, and St. Louis—the proportion was better than 95 per cent. In all cities, benefits were generally greatest in manufacturing companies.

Growth of coverage continued into 1954, with many plants providing holiday pay for the first time and others improving programs adopted earlier. Increases over the entire period have been fairly substantial in most cities. For example, the proportion of covered workers in Atlanta went from 76.6 per cent in 1951 to 82.3 per cent this year, and in San Francisco there was a rise from 84.3 to 93.5 per cent. These are typical figures. Six paid holidays a year remained the most frequent number throughout the survey period.

The survey showed a significant trend toward more paid holidays a year. In most of the cities, seven or more days a year were found a good deal more frequently at the end of the survey period than at its beginning.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 9/23/54


**"I'm afraid to tell him—he's dictated ten letters already!"**

# HOW TO FIRE AN EXECUTIVE

By GENTLEMAN'S agreement, an executive is scarcely ever fired; almost invariably he resigns. Yet the vast majority of resignations—perhaps four out of five —are forced, i.e., they are in fact firings. Moreover, many executives are fired without being aware of it.

The tactics of moving an executive toward the door are a constant part of corporate life, and a complex test of management skill. For one thing, a manager has to know when and whom to fire in order to protect the company against financial waste. But more crucially, such firings are a strenuous test of management's skill at face saving, since the objective is to let an executive go without hurting him or the company.

No pattern of firing tactics seems characteristic of any one company or industry. Only one tactic seems universal: an executive is practically always fired verbally. Writing is too blunt an instrument for an operation that usually lacerates an executive's most delicate equipment, namely his ego.

Firing for cause is a relatively easy operation, and may even afford a self-righteous executive pleasure. In all other firings, broadly speaking, two categories of tactics are used on executives. They may be called the "frontal" and the "roundabout":

*The frontal attack.* By this group of tactics, the less varied of the two, a firing manager more or less directly faces up to the distasteful job. Usually he makes it a gradual process. The approach may be extremely tentative, as when the boss takes a manager to lunch and plants a seed of doubt in his mind by asking, "Are you really happy in your job with us?" In one case the approach during a luncheon talk was so diplomatic that the executive didn't realize he'd been fired until he related the conversation to his wife, who broke the news to him.

Some executives hold that it is best to explain fully to the man why he is being fired, and discuss objectively his strong and weak points so he will see where to improve himself. Others consider it much better to skip all criticisms of the man and simply tell him that management itself is largely to blame for "things not working out"—e.g., management perhaps put him in the wrong job, kept him there too long, and so forth.

By far the most varied tactics, however, are to be found in a second category of methods, which may be described as:

*The roundabout attack:* By these tactics, the firing executive avoids direct confrontation of his victim, and resorts to any measure he thinks will force a resignation. The variety of these methods and their possible combinations are truly extraordinary.

In the most common varieties of roundabout tactics, as one executive put it, "the situation just deteriorates." Another manager was more specific: "Put them on ice and they'll leave. Give them little to do for three months, and they'll bring the matter up." Here are some other ways of freezing an executive out of his job:

1. *The "unavailable" treatment.* A top executive can simply keep postponing a meeting requested by a disfavored subordinate. If the executive finally succeeds in getting into the boss's office, the boss may hear him out and then curtly

advise him: "Don't bother me with that. I haven't the time."

2. *The gradual freeze-out.* This treatment may be started by slowly reducing an executive's authority, or by ridiculing his suggestions in front of others.

3. *The bypass.* The variations of this treatment range from omitting an executive's name from important memoranda and excluding him from conferences to taking assignments away from him.

A company reorganization program is especially full of possibilities for any president who wants to squeeze a man out. He can eliminate the man's job completely, or consolidate two departments, demoting one department head to assist the other. Or he can first confuse the man by assigning him to a new job, without specifying what his responsibilities and authorities are—and then criticize him sharply whenever he assumes either. As one man put it, "You can be a round peg in a round hole, and somebody can make the hole square."

Some bypass techniques may be twisted around so that they appear to be "opportunities." A president may reassign a sales executive to a top job in manufacturing, suspecting that the man will fail to make the grade.

Continual transfer from plant to plant has also been used to wear down an executive's patience and provoke a resignation. For a big-city executive, a transfer out to some rural spot may be enough to extract a resignation from him.

Managements have also used promotion as a lever to hoist an executive up and out. In one tool company, the president sometimes would promote an executive, give him a fat raise, and send him out to be a plant manager in the field. After six months or so the man would be recalled to headquarters and assigned some special project, such as a merchandising study. From there he went nowhere. The pattern became so familiar to the young executives that some resigned rather than accept promotions.

Top management may clear out executive deadwood by introducing a new or more liberal pension plan. Such deadwood may also be chopped out by hiring a new executive as a "hatchet man" (now known as a "surgeon") who, unimpeded by personal ties, can freely perform this operation. Or top management may hire a firm of management consultants to survey the organization's executive manpower and than "have a talk" with those managers the consultant has labeled as excess baggage.

The firing of managers is not likely ever to become a technique that executives will boast about. But a really good executive today is more than likely to be adept at letting his colleagues go. Paradoxically, his skill in managing managers may greatly reduce—but never eliminate—the necessity for firing them. At any rate, if firing were not treated as an emergency operation but accepted as a continuing—and potentially helpful—fact of corporate life, executives might learn to do it better. And their victims, certainly, would be grateful.

—PERRIN STRYKER. *Fortune*, October, 1954, p. 116:8.

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CORPORATE DONATIONS: A survey of 207 companies conducted by the Harvard Business School Club in the Cleveland area revealed that the average company allocated 45.1 per cent of its 1952 donations to the local Community Chest; 25.4 per cent to building funds; 12.3 per cent to colleges and universities; 6.7 per cent to the Red Cross; and 10.5 per cent to other, miscellaneous organizations.

## Business Failures Are Human Failures

THE ROAD TO COMMERCIAL FAILURE is paved with a mixture of good intentions and bad judgment, reports Dun & Bradstreet on the basis of a comprehensive analysis of 8,862 commercial failures during 1953.

Slightly more than 50 per cent of the failures studied revealed the lack of managerial ability. Add to this a lack of experience, and the total human factor becomes 89.4 per cent of the total.

The principal evidence of human weakness in management is found under the heading of inadequate sales, which varies from 55.5 per cent for commercial services, 52.7 per cent for manufacturers, 48.8 per cent for wholesalers, and 52.4 per cent for retailers, down to 29.7 per cent in the construction field.

Business in general is holding its own on a long-term statistical base, reports Dun & Bradstreet. In the 53-year record of failures per 10,000 concerns, the peak was 154 in 1932, and the low ebb was 4 in 1945, when the shortage of materials insured a fast turnover of inventory for profit. The 1953 rate was 33, as compared to 29 in 1952.

Furniture makers had the most failures among manufacturers in 1953, with a rate of 186 per 10,000 business concerns. Lumber was at the bottom of the list, with 13. Appliances, radio and television as a group were highest in the retail category with 116 per 10,000, and farm equipment was lowest with 12.

Pacific Coast States were highest in failures per 10,000, with an average of 86.9; West North Central States were lowest as a region with 10.4. Nearly half of the concerns which failed in 1953 dropped by the wayside in the second, third and fourth years of operation.

### Interview with a Successful Man

*Oh, what are the reasons for my successes?*
*Judicious questions and timely yesses.*

*Someone from Charleston who views me clammily*
*I thaw by asking about his family.*

*When I and Floridians get together*
*I comment favorably on their weather,*

*And tell Californians to get a bet down*
*That heaven for them will be a letdown.*

*I never top with another version*
*A joke that was old to a Mede or Persian.*

*In a room of Texans if I am there*
*I ask politely would someone care*

*To fill me in on the Lone Star State*
*And all the heroes who made it great.*

*Possessing a sense that is known as horse*
*It's my boss's viewpoint that I endorse.*

*My recipe's simple for any chef,*
*But it helps a lot that I'm slightly deaf.*

—JAMES M. BLACK in *The Rotarian* 8/54

**For the Specialist . . .**

## NEW TRENDS IN INDUSTRIAL ADVERTISING

FOR THE FIRST time since the beginning of World War II, manufacturers of industrial supplies are faced not only with sharpening competition for sales, but with rising advertising and promotion costs. To meet these new conditions, many industrial manufacturers are overhauling their entire advertising and promotion setups along the following lines:

*Direct Mail.* Several companies, faced with the need to cut back on advertising costs, are scanning their lists more closely and using them more selectively. While no mailing list can ever be 100 per cent up to date, one or more of the following methods can help you cut down the wasted effort and wasted dollars spent in mailing to dead names.

1. Make a special effort to have your salesmen submit name changes, additions, and deletions to your mailing list.

2. Mark your envelopes "Form 35-47 Requested." This is a special form on which the Post Office will advise you, at the cost of a penny apiece, of every undelivered letter.

3. Enclose a return postcard requesting confirmation of receipt. On the same card, you can ask the recipient to indicate whether he's interested in receiving further mailings and information and to list any other persons in his company who should also be on your list.

An inexpensive way to hit industries or areas which salesmen can't cover economically is to rent or purchase new mailing lists. These may be obtained from industrial publications like the McGraw-Hill mailing list service; from mailing list specialists and brokers; and electric utilities, who often maintain—and rent—lists of all industrial companies in their areas of operation.

Recent tests have indicated that by concentrating mailings on selected industries during a short period, many firms get better results, both in quantity and quality of responses, than by spacing their mailings out over the year.

*Working with Distributors.* With practically every industrial manufacturer promoting his products harder this year, it's not surprising to hear growing complaints from distributors on the flood of literature coming in from suppliers.

To cut promotion costs and improve effectiveness, increasing numbers of industrial suppliers are limiting direct mail material to distributors who specifically request it, giving sellers a choice of mailings to fit their needs, and mailing directly to customers and prospects on lists provided by the sellers themselves.

*Handling Customer Inquiries.* What's the best and fastest way to sift inquiries so you can tell your salesmen and distributors which ones are immediate sales prospects, future possibilities or merely information-seekers?

On inquiries from business firms, the letterhead will often tell you at a glance whether the company is a potential customer. As a further check, look up the firm in an industrial directory or in Thomas' Register.

If sales volume or credit rating are important factors in determining your pros-

pects, a routine check of the firm's Dun & Bradstreet rating will be helpful.

Other factors that will help you determine which inquiries are immediate sales possibilities are: the title of the man making the inquiry, the specific questions he asks, how soon he wants the information, etc.

To measure the effectiveness of their ads, some firms require their salesmen to give the details of every call resulting from a reader inquiry. This information can help the advertising manager or agency prepare copy and layout better aimed at pulling the kind of inquiries that lead to sales.

*Reshaping Advertising Budgets.* Many companies have found they can make considerable savings in their promotion budgets by cutting down on fancy production and art work, now clearly a luxury; by featuring the name of the company—rather than a special name for the product—in advertising and other promotion efforts; and by keeping telephone directory listings standard.

Publishers' statistics may not show it, but a significant number of important companies are cutting back on ads in trade magazines and putting bigger shares of their ad budgets into other forms of sales promotion, such as product booklets and publicity.

In preparing product booklets, large numbers of industrial suppliers find it helpful to use an ad agency that specializes in technical literature, and to encourage it to make greater use of their technical and other personnel in preparing product booklets.

If you're undertaking a publicity program for the first time—or if you're not yet satisfied with the results of your present publicity efforts—try planning your publicity, and playing up the features around which you want to build your reputation and your sales; encouraging your engineers and executives to publish articles in professional and trade journals under their own by-lines; hiring freelance writers to prepare special publicity material; making contact with the editors of your trade press through sending good stories, and other means; and following up your publicity by sending reprints to salesmen and distributors.

The most convenient method of lowering advertising costs is to reduce the size and frequency of your ads. Many firms are doing this by concentrating their efforts on those publications which give them biggest circulation. In choosing between competing magazines, however, editorial reputation and readership often count as much as number of subscribers.

One of the toughest advertising problems now facing industrial firms is summed up in this question: How can I advertise my different products without spreading my ad budget too thin to do an effective job on any one line? A manufacturer of office equipment solves this problem by combining as many as four products into one magazine ad, which he labels "cost-saving ideas." Another company follows the practice of allotting two-thirds of its advertising space to one product, listing all its other items in a box at the bottom of the advertisement.

To improve coordination between the advertising manager or ad agency and the production and sales departments and to help you make the most of your promotion campaign, make sure that (1) your advertising man meets regularly and frequently with other members of your management group; (2) you know what your salesmen and distributors want to see in your advertisements and other promo-

tions; (3) your salesmen know how well your ads pull so that they can use company advertising more effectively in their selling efforts; (4) you have a detailed schedule showing just when each item in your promotion campaign should be ready for distribution; (5) any cuts you may have to make in your advertising budget have been planned in advance; and (6) all your employees are familiar with your advertising approach and general promotion efforts.

—*Staff Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), April 20, 1954.

## What Makes a Star Salesman?

WHAT QUALITIES make a successful salesman? What other traits would you add in this list?

A star salesman measures up in the following ways:

1. He has ambition. He is determined to make more money than average.
2. He wants to sell. He is sold on his product.
3. He has an intelligent reason for wanting to work for you.
4. He is naturally persuasive with words and demonstrations.
5. He is aggressive but tactful. He pushes for orders but does not push people around.
6. He is enthusiastic.
7. He does not discourage easily. He is patient with his prospect.
8. He gets his order on merit—without over-promising.
9. He has a dignified appearance, speaks clearly, has a good voice, and inspires confidence.
10. He gets along well with all types of people.
11. He is willing to work hard for what he gets. He is able to direct his time to the most practical advantage and requires no detailed supervision. He is willing to make evening calls and does not "knock off" after he has made one sale. He keeps plugging.
12. He has the mental capacity to learn your selling procedure, service, demonstration.
13. His honesty and loyalty to employer and customers is unquestionable.
14. He is between 25 and 50 years old.
15. He has a high school education, but he has neither too much nor too little education for the territory.
16. He has a happy home situation—preferably married.
17. He has a wife or family who believe in selling.
18. He has no bad habits and his reputation is good.
19. He is able to pass a physical examination.

These are the seven hallmarks of a successful salesman's performance: (1) He knows his product. (2) He promptly follows all leads. (3) He develops customer good will. (4) He regularly solicits leads from users and other good sources. (5) He works systematically every day and makes evening calls. (6) He makes monthly sales reports. (7) He cooperates 100 per cent with the distributor and the factory.

Finding such men is not easy; in fact, recruiting is one of the toughest jobs, but it is a challenge that we all have to meet.

If you want to pick "lemons" that is easy. All you need to do is shake the tree and they fall into your hands. But if you want "diamonds" you've got to dig!

—DAVID H. BARNOW (Executive Vice President, Beltone Hearing Aid Co.) in *Sales Management* 12/15/53

Special Feature

# UNIVERSALS IN MANAGEMENT PLANNING AND CONTROLLING

BY J. M. JURAN*

FIRST LET US CLARIFY what we mean by a "universal" of planning and controlling. As used in the AMA Management Course, and for the purposes of this discussion, the term may be defined as "any principle which is valid in planning or controlling—no matter what the company, the product, the process or the function."

The series of "universals" which we shall discuss here is not complete enough to cover all problems in planning and controlling. However, even this limited list appears to be of substantial usefulness. The list appears also to be extensive enough to justify the statement, "If you understand the skills of planning and controlling, you are able to plan and control *anything*."

### TWO EXAMPLES FROM WORLD WAR II

Two good examples of universals in management can be recalled in the Training Within Industry program (TWI) of World War II. One phase of TWI was Job Instruction Training (JIT). In JIT it was demonstrated that the following steps on "How To Get Ready To Instruct" fitted *any* work situation:

1. *Have a time table*—
   how much skill you expect him to have, by what date.
2. *Break down the job*—
   list important steps.
   Pick out the key points. (Safety is always a key point)
3. *Have everything ready*—
   the right equipment, materials, and supplies.
4. *Have the workplace properly arranged*—
   just as the worker will be expected to keep it.

Another universal developed in the same program was the four-step instruction on "How To Instruct":

Step 1—*Prepare the worker*
Put him at ease.
State the job and find out what he already knows about it.
Get him interested in learning job.
Place in correct position.

Step 2—*Present the operation*
Tell, show, and illustrate one *important step* at a time.
Stress each *key point.*

* Consulting Management Engineer, Tuckahoe, N. Y.

**ABOUT THIS PAPER**

¶ At various intervals during the years 1952-1953, the author, as a Fellow of the American Management Association, served as leader of those units of AMA's Management Course which are devoted to Planning and Controlling. During this period he was in close contact with several hundred industrial executives, all studying the problems of planning and controlling.

¶ In preparation for these meetings an annotated outline of the subject was developed, as well as an assortment of "case" material. However, as the series of meetings progressed, the discussions began to generate a list of "universals" of Planning and Controlling. These "universals," which are set forth and discussed in this paper, appear to be applicable to any problem in Management Planning and Controlling, irrespective of the particular product, process, or function involved. Their universal character appears to hold without exception. Thereby they represent truly transferable skills of management.

Instruct clearly, completely, and patiently, but no more than he can master.

Step 3—*Try out performance*

Have him do the job—correct errors.
Have him explain each *key point* to you as he does the job again.
Make sure he understands.
Continue until *you* know *he* knows.

Step 4—*Follow up*

Put him on his own. Designate the person to whom he goes for help.
Check frequently. Encourage questions.
Taper off extra coaching and close follow-up.

The significant thing is that, despite the vast variety of products, processes, operations and people associated with World War II, these simple rules fitted *all* work situations. They were truly "universals" on how to get ready to instruct and on how to instruct.

### PARETO'S CURVE

Of great and immediate use to many conferees was the following:

"In any series of elements to be controlled, a selected small fraction, in terms of numbers of elements, always accounts for a large fraction, in terms of effect."

For example, there may exist ten thousand different catalogue items in an inventory. It is *always* true that the first few per cent of that ten thousand items will account for perhaps 80 per cent of the total value of the inventory.

In the same way we may have a thousand different catalogue items in a product line. It is *always* true that the first few per cent of the items will account for about three-quarters of all the dollar sales. Moreover, the last 80 per cent of the items in the line will account for only several per cent of the total dollar sales.

In the same way a few per cent of the total employees on the payroll account for the bulk of the personnel headaches, accidents, suggestions, etc.

A few per cent of the quality characteristics account for the bulk of the customer complaints and the bulk of scrap and rework.

A few per cent of the various piece parts entering the final product account for the bulk of the scheduling and delivery date failures.

A few per cent of the purchase orders account for the bulk of dollar purchases.

A few per cent of all customers account for the bulk of credit losses or the bulk of unjustified returns.

A few per cent of the decisions made account for the bulk of the total effect of all decisions.[1]

### SEPARATING THE VITAL FROM THE TRIVIAL

Now let us consider the principle of separating the vital from the trivial. The practical expression of this principle is the preparation of a *written list of the problems in order of their importance*—the types of accidents in order of frequency, the types of defects in order of amount of loss caused, the elements of cost in order of amount, etc.

Such a written list automatically shows the "vital few" at the head of the list; the "trivial many" are at the foot of the list.

Each of these groups has its usefulness. The vital few must be identified if a program of improvement, of planning, of control is to succeed. The trivial many must be identified if there is to be any balance between the cost of planning and control *vs.* the value of planning and control.

Many people have problems, lots of

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[1] The foregoing was first published in an address by J. M. Juran, AMA *Manufacturing Series No. 214.* I have called this principle Pareto's Curve, after the economist and sociologist Vilfredo Pareto (1848-1923) who noted such a relationship in the study of distribution of wealth. See in this connection J. M. Juran, *Quality Control Handbook* (McGraw-Hill Book Company, New York) p. 40.

problems. But few people have a list of those problems, which is quite a different thing, and a more useful thing. Still fewer people have such a list in the order of importance, which is even more useful.

The importance of the vital few lies in the fact that nothing of significance can happen unless it happens to the vital few. Actually there is wide application of this rule.

We watch the economic climate by watching a few "indicators."

We watch the over-all health of the business by looking at a few key figures —the profit rate, the current ratio, the inventory turnover, the rate of burden to direct labor, etc.

The whole idea of a table of delegation is based on the premise that there are a vital few decisions which really decide what happens.

In the control of inventories, a number of formal plans have been evolved to utilize the principle. In one of these plans,[2] inventories are divided into an "A B C" classification, as follows:

A = the highest 5% (or so) of the items in dollar value
B = all items not A or C
C = the lowest 75% (or so) of the items in dollar value

Once the items are classified, they are regulated generally as follows:

| *Class* | *Regulation* |
|---|---|
| A | A carefully determined minimum inventory<br>An economic ordering quantity carefully calculated to keep necessary inventory to a minimum<br>A formal shop requisitioning procedure<br>Approval of purchase orders by a high-level executive<br>Accounting from requisitions and vouchers paid<br>Stock record cards to tell stock on hand |
| B | Intermediate between A and C |
| C | A safe minimum inventory<br>An economic ordering quantity estimated mainly to avoid the cost of frequent purchase orders<br>A very informal shop requisitioning procedure<br>Routine approval of purchase orders<br>Accounting from vouchers paid<br>No stock record cards; use of sealed minimum |

[2] See in this connection H. F. Dickie, AMA *Manufacturing Series No. 207.*

Production control has used the same principle by identifying those few per cent of items which represent the longest manufacturing interval. Formal planning is done around these key items, and they receive high executive attention.

In quality control the principle is utilized by listing the troublesome defects in order of the losses they cause. It is always true that the worst few per cent of the defective conditions account for the bulk of the losses. It is therefore worth-while to devote engineering time to discover the causes of the important losses and to reduce or eliminate them.

#### MAKING USE OF THE "TRIVIAL MANY"

If we restrict our effort solely to the vital few, such effort is still generally successful, though it ignores the trivial many. In contrast, our effort, if applied solely to the trivial many, is always a failure. Moreover, we pass the point of diminishing returns; the cure becomes more costly than the disease.

So-called "red tape" controls can provide admirable control when applied to the vital few; when applied to the trivial many they are nothing more than red tape.

There have been numerous reported instances where a company has overexpanded its product line. An analysis is

made (often by a new management). The analysis shows that of the items in the sales catalogue, the lowest 65 per cent in order of sales volume account for only 4 per cent of the sales. The cost of carrying that two-thirds of the line is shocking. The line is stripped down, costs are reduced sharply, and the drop in sales is not noticeable. Result: a success story for one of the management magazines.

The inventory control problem is a perfect example. The trivial many may involve 80 per cent of the catalogue items, but only 5 per cent of the value of the inventory. Here the problem is to *avoid* paper work. Small wonder that the published solutions talk of purchasing no oftener than once a year for such items, to cut down the cost of purchase orders; of avoiding requisitions by accounting from the paid vouchers; of avoiding stock records by use of the "sealed minimum."

A number of quality control programs have bogged down because some useful technique was hopelessly overextended. On the vital few jobs it is usually valuable to collect data, make charts, and perform engineering analyses. The gains on the vital few have then been converted to over-all losses by indiscriminate, almost fanatical,[3] application of the techniques to the trivial many.

The cost of making purchases has been reduced by making it easier to buy the trivial many. A petty cash buyer is sent into town with money and a list of needs. He returns with the goods, the change, and a stack of cash register tapes. Result, no purchase orders, no waiting, no paperwork, no complex accounting.

The man who is a "bottleneck" for decisions is just that because the trivial many as well as the vital few decisions all come to him. The purpose of the table of delegation is to identify the vital few so that he can retain real decision-making power without the vast detail which otherwise accompanies it.

[3] The philosopher's definition of fanaticism: "Redoubling your efforts when the original objective has been forgotten."

### A PROGRAM FOR IMPROVING ANYTHING[4]

Our next "universal" holds that improvement comes from two basic sources:

1. A few sweeping changes in the plan of operation.
2. Numerous small changes in administration of the present plan of operation.

For example, a program of safety improvement will include several sweeping corrective changes in hazardous processes, with some minor attention given to housekeeping, wearing goggles, safety shoes, etc.

A program of reducing cost of materials handling will include several sweeping changes, such as revision of plant layout or adoption of pallets and fork trucks. But it will include also numerous small changes in numerous individual work places.

A program of reducing loss due to defects will include several process or tool changes plus numerous small changes brought about by stepping up individual operator quality-mindedness.

A program of reducing cost of selling will include several sweeping changes such as revision of territories, adoption of a commission plan, or revision of the product line. Some minor attention will also be given to expense accounts, telephone bills and the like.

The distinction between the few sweeping changes and the numerous tiny changes is of the greatest importance.

[4] First published as part of remarks by J M Juran, AMA Manufacturing Series #214, *supra.*

The few sweeping changes are normally characterized by:

1. A complicated intricate situation, requiring
2. a major job of collection of facts, of economic study, of analysis of data and of draft of proposals. All this requires
3. devotion of time, skill and objectivity to an extent beyond that normally available to the line supervision, suggesting
4. assignment of staff people to make the necessary studies which then form the basis for
5. a broad discussion among interested divisional heads. Since such sweeping problems are of great importance and cut across divisional lines, there needs to be
6. final approval by a major executive of the company.

These sweeping changes are seen to involve relatively few people working on few momentous problems, with the work reviewed by a few divisional heads, and the final decision made by a top executive.

In contrast, a program of improved administration of an existing basic plan involves numerous people, each of whom is going to make a small contribution.

The elements of such a program are:

1. To awaken in each of these numerous people the realization that the company's effectiveness (in safety, cost, quality or whatever the program) is important to him personally.

2. To convince each person that there is something he can do about it.

The foregoing are done by mass media —bulletin boards, plant newspapers, slogan contests, give-aways, letters to employee homes, etc.

3. To show each person just what he can do to make his contribution. This showing must be individualized. It involves discovering, for each job, what are the key points (of safety, quality, cost or whatever) and emphasizing to each employee the correct way of handling these key points.

4. To stimulate each person to make his contribution. This is done through appropriate stimuli—scoreboards, contests, incentives, supervisory check.

5. To provide for making the improvement permanent. This is done by recording the performance achieved and the methods whereby it was achieved. Thereafter, the performance is maintained by watching the "scoreboard" and by periodic audit to see whether the methods which yielded the improvement are still being followed.

It becomes vital to discover whether the main improvement in the program will have to come from replanning of the job or from improved administration. If the main improvement has to come from a few sweeping changes, these should preferably be worked out before there is any drive for improved performance by the many.

### RESPONSIBILITY FOR IMPROVEMENTS

The problem of deciding whether to assign responsibility for improvements to staff or line appears to hold two "universals":

1. Responsibility for *restoring* the status quo rests with the line organization.

For example, the accident rate, the manufacturing interval, the scrap percentage, the unit cost have for some time been holding a level of performance, with only minor fluctuations week to week. Suddenly there is a sharp rise. In most instances so dramatic a change is based

on an obvious cause. In most instances the line department is able to diagnose the cause, remove it, and restore the status quo. In such instances staff participation is a hindrance.

2. Responsibility for *changing* the status quo rests with:
   a. The staff for planning the change
   b. The line for executing the change

A substantial change in the historical accident rate, manufacturing interval, scrap percentage or unit cost requires facts, analysis, proposals.

It requires uninterrupted devotion of time to gather the facts. The line supervisor has no such time. It requires mobility to gather facts from several departments, to follow trial lots, etc. The line supervisor must stay with his department.

It requires special analytical skills to plan an investigation, to decide what kind of facts are needed, to decide what size samples are significant and to analyze the subsequent data. The line supervisor seldom has been trained in these skills.

It requires perspective to propose solutions which are an optimum for the enterprise as a whole rather than for one department. It requires objectivity to propose solutions which clash with the established order. The line supervisor, historically devoted to an established order in one department, often lacks this perspective and objectivity.

The time, mobility, special skills and objectivity are possessed by the staff to an extent greatly exceeding that possessed by the line. It follows that the staff should do this planning work.

### FREEDOM OF CHOICE

The principle of freedom of choice is well known. The late M. C. Rorty advised executives not to fill an opening unless at least three acceptable candidates had been found. Only in this way would true choice be available to the executive.

This can be extended to a universal. A man looking for a job should have before him several acceptable posts before he can truly be said to have a choice. The same holds for buying a house, choosing a process, choosing a product design, choosing a method or a procedure.

We developed one important addendum to this well-known principle: One of the choices is better administration of the existing situation.

An example before us was the executive faced with the proposition to change a certain method. It is 1948; method A is in use; the annual cost is $100,000. An engineer proposes a change to method B to reduce the annual cost to $75,000. (The charges for making the change are only $6,000, so it looks like a good return on the investment.) The executive approves the change.

It is 1951. Method B has been in effect for more than two years. The annual cost is now $88,000 (not as low as the $75,000 anticipated, but a good reduction from $100,000 just the same). Now comes a second engineer. He proposes a change to method C, to reduce the annual cost from $88,000 to $74,000. (The cost of making the change will be only $5,000.)

The executive studies the proposition, and suddenly starts. The proposed method C is nothing more than the original method A!

Can one save money both ways? Absolutely, with one catch. There is only one thing wrong with the figures. Each engineer presented the then existing method at its *going* level of effectiveness. Each engineer also presented his proposed

method at its *optimum* level of effectiveness. Neither engineer had presented data to show what could be done with the then existing method under improved administration; neither engineer had realized that if poor administration is rampant, the optimum effectiveness will never be reached, no matter what the method.

The moral, and another universal: One of the choices for action is better use of the existing setup.

### THE MAIN CAUSE MUST BE FOUND

A common question in analysis work is, "What is the *main* cause of our trouble?"

Choose a trouble—any trouble will do—low sales, high cost, poor quality. Using Pareto's curve, isolate the biggest factor in that trouble. Now you have one specific trouble, say leaks in castings. Convene all concerned and ask the question: What causes leaks? You get 10 assertions. Each of these is one of the causes of leaks. But one of these assertions states the main cause of leaks.

The universal here would be: "Unless the main cause is remedied, there is no solution."

The reason lies in a statistical fact which might be worded as follows: Independent causes add up not arithmetically, but as the sum of their squares.

Go back to our 10 causes for leaks, and list them in order of size as follows:

| *Order of Importance* | *Size of Cause* | *Square of This Size* |
|---|---|---|
| A. Biggest Cause | 10 | 100 |
| B. Second Biggest | 5 | 25 |
| C. Third Biggest | 3 | 9 |
| D. Fourth | 2 | 4 |
| E. Fifth | 1 | 1 |
| F. Sixth | 1 | 1 |
| G. Seventh | 1 | 1 |
| H. Eighth | 1 | 1 |
| I. Ninth | 1 | 1 |
| J. Tenth | 1 | 1 |
| *Total sum of squares* | | 144 |

The composite of all causes will be (again a statistical fact) the square root of 144, or 12.

Now suppose, knowing that A is really the biggest cause, we work on it, and cut it in two. Our sum of squares reduces to 69, and the square root is 8.3. That's well below 12.

Suppose instead that we don't know what is the biggest cause, and we work on all causes *except the big one,* and we reduce them all to zero. We still have remaining a sum of squares of 100 and a square root of 10. Note that this is greater than the 8.3 we arrived at by cutting the biggest cause in two. In other words, *we did more good by cutting the biggest cause in two than by eliminating all the other causes!*

The moral, a universal:

There is no real solution of a multicause problem unless the main cause is found and remedied.

In skeleton form the matter of assigning responsibility for decision-making may be outlined as follows:

| *Stage in the Process* | *Responsibility* |
|---|---|
| A. Originating the idea | No fixed responsibility. Anyone, anywhere, may originate an idea. |
| B. Assignment of a priority for study | Group decision by the interested key people. |
| C. Collection of the necessary facts, estimates and other information needed for a proper discussion | Depends on size of idea and on the economics of fact finding as to whether: (1) All interested parties come together each with pertinent information or (2) some leg-man is assigned to make the rounds or (3) a whole task force is assigned. |
| D. Preparation of a draft proposition to serve as a basis for discussion | Depends. On anything really complicated, conserve the time of all by using a staff man to prepare a draft. |

| *Stage in the Process* | *Responsibility* |
|---|---|
| E. Discussion of the pros and cons of the idea in the light of the information collected | A group discussion by all interested parties. |
| F. The final decision | The executive in charge. |

It is seen that these responsibilities recognize the need for free flow of ideas (in A); for participation by all (B and E); for economy in fact collecting and presenting (in C and D).

The discussion and recommendation stage (E) involves the simultaneous presence of all who have an interest in the subject matter and in the conclusion. It is essential that they be brought together for real discussion, not merely for ratifying some previous decision. Neither should they be placed in such a situation that they have no choice but to ratify. There should be participation in the true sense.

Finally, the decision itself (F) is made not by the discussion group but by the executive in charge. None of the prior steps deprive him of this responsibility. Neither may he hide behind the committee's conclusion without taking positive action of his own.

#### REDUCING RISKS IN FORECASTING

A further universal dealt with forecasting of future levels of activity, such as the sales forecast. (In developing this principle we first made a distinction between true forecasting and the more usual mere projection of past events.) It became clear that the problem in forecasting is not one of avoiding risks. There is no known way of doing this. Rather the problem is one of reducing the risks inevitable to a forecast. The universal for reducing these risks turned out to be as follows:

1. Obtain the pertinent basic facts to work with. This includes collection of essential statistics, opinions of people close to the situation, etc.

2. Discover the main variables which may indicate a relationship between the sales (or other factor being forecast) and the facts in question.

3. Provide for an early recognition of a bad guess. In other words, establish prompt means for reporting the actual conditions which take place against the conditions which have been assumed to take place. In particular, establish a close observation on the main variable so that there is a quick response in the event of a change in the main variable.

4. Broaden the base of discussion. This is a way of avoiding the extremes of one man's optimism or pessimism. (Some very large businesses are lagging because the forecast is dominated by one pessimistic man.)

5. Provide a backstop in the form of prefabricated plans for prompt readjustment if the forecast fails to materialize. One of the conferees called this "providing an alley to run to."

#### CONTROL BY SERVOMECHANISM

A most important universal dealt with the fundamentals of controlling anything. It turned out that there is an unvarying sequence of steps which is necessary to regulate anything, this sequence being as follows:

1. Selection of control points*
2. Definition of units of measure*
3. A systematic means for measuring and summarizing actual performance*
4. Selection of standards of performance
5. Interpretation of the difference between actual performance and standard
6. Decision on what action to take
7. Action to comply with the decision

It is useful to show this in schematic form. See Chart I. It is seen that this is

*These steps are essential to measurement of actual performance.

not only a diagram for managerial control; it is a diagram of the engineering servomechanism as well. We can put this diagram into specialized form such as quality control (Chart II), production control (Chart III), cost control (Chart IV), etc.

In tabular form these same specialized examples are shown in Table I (p. 360).

### GRESHAM'S LAW

Gresham's law of money, "Bad money drives out the good," appears to be a universal when applied to all standards of performance. Bad standards drive out the good. For example, there are systems of piece-rates or incentives in which some of the rates are loose (or tight), while others are sound. In such instances, there are always pressures exerted by employees to make all rates like the loose rates.

Another example is a price war in which gasoline prices or milk prices, established by long-standing relationship of cost to price, are completely upset. The unsound prices have no relation to cost. Yet they drive out the established prices.

A similar situation is found on the factory floor when the tolerances on drawings are superseded by "black book tolerances" used by factory foremen or inspectors.

Still another situation is found in the case of delivery dates, where top management promises of delivery dates are unrealistic in relationship to the actual delivery intervals which the process can deliver. The result can be abandonment of all reality in delivery dates.

The moral is that when an executive finds a situation in which good standards are living in the same house with bad standards, he should recognize also that the bad standards are going to drive out the good.

### AGREED-UPON SPECIFICATIONS

The president of the X company asks three executives the same question, "How many employees are there in the company?" He gets three different answers.

The Personnel Director had someone count all the cards in the personnel file.

The Production Manager had someone count the names of the payroll sheets.

The Controller took the figure for total hours worked the preceding week and divided by 40.

Each count was correct for some one definition of "employees." The difference was in the three definitions. It was not clear whether "employee" meant a person, or a statistic, whether people on pension, on vacation, on sick leave, etc., should or should not be counted.

A related question is "How much production did we get out today?" We can get different answers depending on whether we count units starting on the assembly, or at the end of the assembly line, or after inspection, or upon delivery into the shipping department.

In the same way, what are our sales, our profits, our scrap, purchases, etc?

Conflict arises particularly when an "independent scorekeeper" department (auditing, accounting, inspection) issues reports on the performance of some department, and these reports conflict with that department's report on its own performance.

If reports are going to contain agreed-upon facts to serve as a basis for action, then it follows as a universal:

There should be an agreed-upon specification for what is being reported.

This agreement is best reached by all departments concerned, so that when the word "employee," or "profit," or "production" is used, it is clear to all just

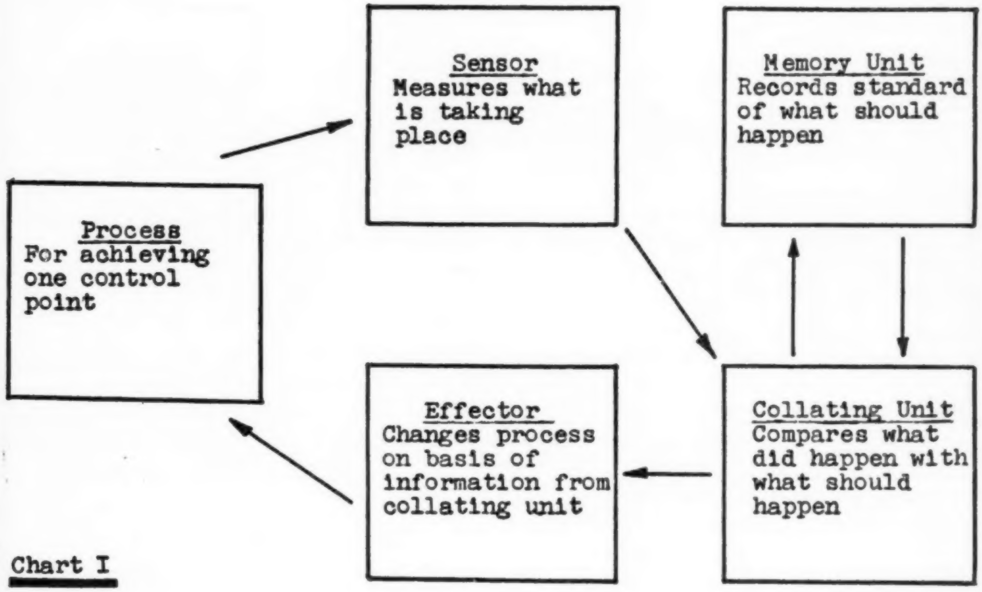


Chart I

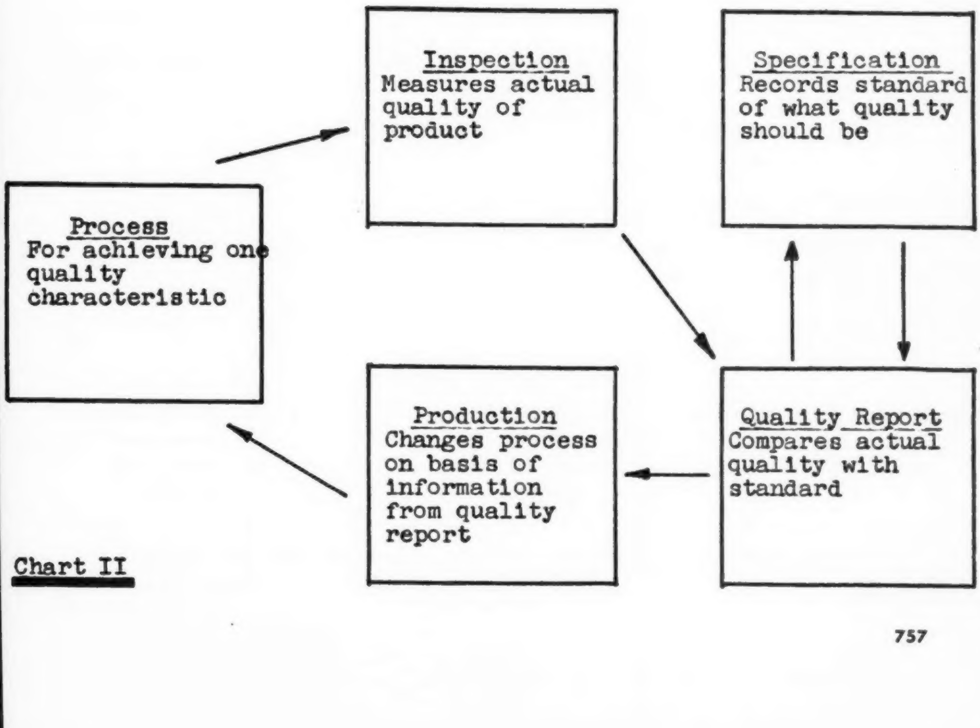


Chart II

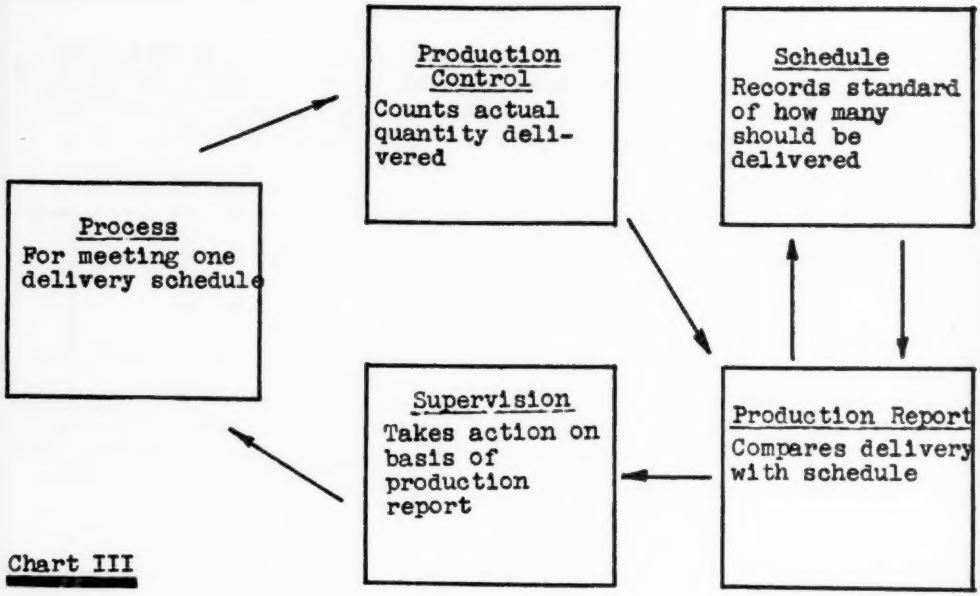


Chart III

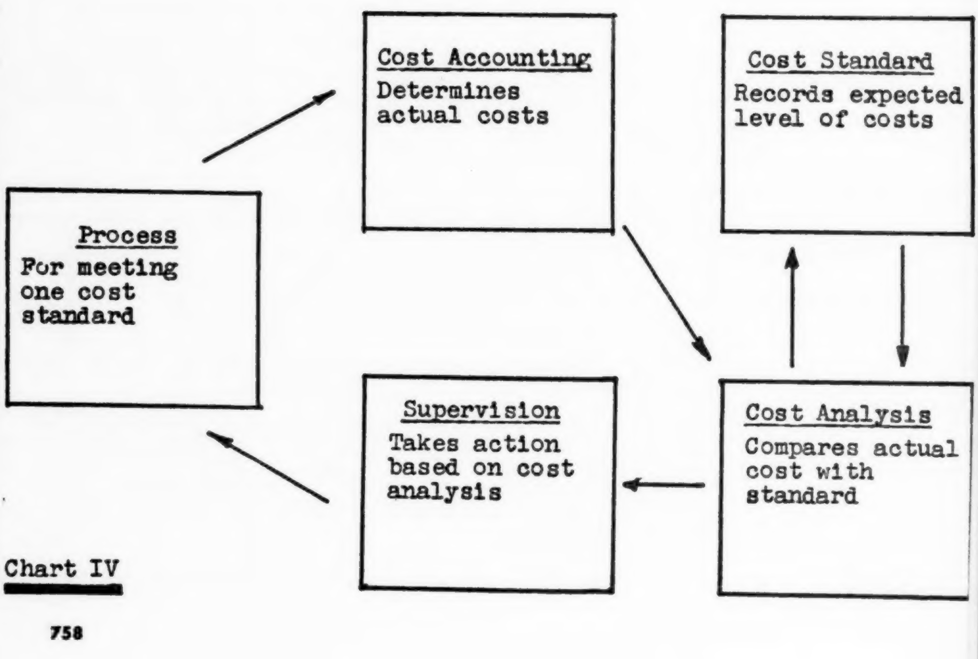


Chart IV

which shade of meaning is being conveyed. The "independent scorekeeper" department should be a party to the specification, however.

The agreed-upon specification is a long step in the direction of avoiding duplicate or multiple reports (aside from the waste of effort, the most annoying feature is that they never agree). Reports prepared by one department because they "can't trust" another department are seldom undertaken because the clerks can't add. They are undertaken mainly because of misunderstanding or disagreement on specification.

This suggests a second universal:

The clerical work of reporting should be done by those clerks who normally handle those figures anyhow.

This is justified on the grounds of economy and of reducing mistakes.

If in the interests of clerical economy a department ends up reporting on its own performance, there is always a risk that biases will creep into the reports. This is avoided readily by another universal:

An "independent scorekeeper" department should audit periodically to insure that the reports as prepared do reflect the specification.

### ACCOUNTABILITY

When can we hold a man responsible? The answer lies in a universal which is extremely simple and valuable to apply. We can hold the individual responsible provided:

1. He knows what he is supposed to do.
2. He knows what he is doing.
3. It is within his personal control to regulate what he is doing.

For example, we want to hold a department manager responsible for his costs. Under this universal it is essential that:

a. He know what his costs should be, according to a budget, a cost standard, or similar determination.

b. He know what his costs are. This requires that there be available a means of reporting the costs as they are actually incurred.

c. He must have regulation over the costs. This would require that no requisitions for materials, assignment of manpower, or utilization of services and facilities be authorized except by him or his subordinates.

If all these conditions are present simultaneously, then we are warranted in holding him responsible. If *any* one of them is absent, we are unable to hold him responsible to the degree that there is such an absence.

This universal applies with equal force to all, even to the operators at the base of the pyramid. For example, if we want to hold operators responsible for the quality of the product, the universal applies. We must be satisfied that:

1. The operator knows what he is supposed to be doing; there must be, in other words, a specification for the product or a specification for the process, which is published so that he knows it and understands it.

2. He must know what he actually is doing, meaning that there need to be instruments which show him what is taking place or that he have an opportunity to see the product and compare it with the standard of what it is supposed to be.

3. In addition, it is necessary that he have regulation over what is taking place,

## TABLE I

*Names of Elements Commonly Encountered in Control of:*

| *Elements of Control* | *Sales Volume* | *Production* | *Quality* | *Cost* |
|---|---|---|---|---|
| 1. Control points | Product line, region, district, salesman | Orders, promises, units | Quality characteristics, i.e., dimensions, weights, etc. | Accounts, categories, i.e., direct labor, materials, process, etc. |
| 2. Units of measure | Dollars, units | Units, weights, time | Inches, ounces, ohms, etc. | Dollars per unit, hours per unit, etc. |
| 3. Means for measurement | Sales Accounting | Production Control | Inspection, Test, Gaging, Examining | Cost Accounting |
| 4. Standards of performance | Quotas, targets | Schedules | Specifications, samples | Standard costs, bogeys, estimates |
| 5. Differences between actual and standard | Variance, quota failures | Shortages, backlog, promises not met | Defects | Variance, deficit |
| 6. Decisions on what action to take | Incentives, territorial realignment, etc. | Expediting, schedule revision, etc. | Rejection, repair, waiver, defect prevention | Cost reduction, work simplification, etc. |

7. Action through tables of delegation, organization structure, systems, procedures, routines, programs.

that the necessary adjustment devices and other gear be present so that there is something he can do about it.

It should be noted that the foregoing determines only whether the individual can justly be held responsible. It does not determine whether he will actually carry out the responsibility. This latter problem lies in the area of individual motivation.

We can go completely beyond company problems and find the universal still applicable—for example, in the case of the motorist who exceeds the speed limit. Similarly, a number of the other universals discussed here could be extended to problems of a non-business nature.

## "For Services Rendered"

AMERICAN BUSINESS MANAGEMENT spent nearly $426 million in self-examination in 1953. At least, the Association of Consulting Management Engineers, Inc., national professional organization of management consultants, sets this figure—several times as large as most accepted estimates—as the amount business firms spent for management consulting services.

The estimate is based on a study of 1,915 consulting firms offering services in industrial centers of 100,000 population or more. Sixty-one per cent of the firms were classified as management consultants, the others as specialized business consultants—the latter being defined as firms that offer counsel in one field only, such as finance or personnel.

The average firm among those studied has 23 employes and a gross annual income of about $222,000. One specialized consulting firm reported billings of $11 million, while the largest management consulting organization reported income of about $8 million.

—*Nation's Business* 6/54

## A New Look at the Tax "Take"

WAY BACK IN 1665 one J. B. Colbert, who must have been an observant individual, is said to have remarked that "the art of taxation consists inso plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing."

There might very well be more hissing nowadays if taxpayers had a better understanding of how long they have to labor to satisfy the tax collector. The Tax Foundation, Inc., a private research organization, has put the tax burden on a daily work basis and from its study has uncovered some facts that should interest those who supply the taxpayer with the things he needs.

The Foundation reveals that it takes a $4,500-a-year man two hours and 35 minutes of his eight-hour workday to earn enough to pay for taxes, both direct and indirect. In contrast, the food he buys for his family requires only one hour and 37 minutes of his workday. He works one hour and 24 minutes of each day for his housing costs; 36 minutes for clothing; and 42 minutes for transportation.

If you wonder where the recent federal tax reductions fit into the picture, here is the answer, as given by the Tax Foundation: "Last year this man worked two hours and 40 minutes to pay for his taxes. On that basis we might guess that he saves about two minutes of the time spent working for taxes whenever the government knocks a billion off its tax take."

—*The Pick-Up* (United Parcel Service 10/54

# Also Recommended...

**• Brief Summaries of Other Timely Articles •**

## GENERAL MANAGEMENT

**MANAGER OF TOMORROW.** By Peter F. Drucker. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y. ), September, 1954. 75 cents. Mr. Drucker here appraises some of the new requirements and responsibilities that managers will somehow have to meet if they are to function under the highly competitive and exacting business conditions that will result from continued technological advances. To meet this challenge, management will have to become far more systematized, he feels, and "intuitive" management will increasingly become a thing of the past.

**MANAGEMENT COMMUNICATION.** By Elmer L. Lindseth. *Vital Speeches* (33 West 42 street, New York 36, N. Y.), September 1, 1954. 30 cents. The president of the Cleveland Electric Illuminating Company explores here what he considers the nine most serious barriers to effective communication—most of which are really failures in human relations—and offers a number of suggestions for getting at their causes.

**THE FALLACIES OF "PERSONALITY" TESTING.** By William H. Whyte, Jr. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.). September, 1954. $1.25. Commenting on the rapidly developing trend toward using personality tests in business, this article seriously questions the validity of these tests as a standardized way of rating and slotting people, concluding that if they were rigorously applied across the board today, half of the most dynamic men in business would be out walking the streets for a job. In the author's opinion, personality tests, as presently used, tend to reward the conformist, the pedestrian, and the unimaginative at the expense of the exceptional individual whom management most needs to attract.

**HIRING A MANAGEMENT CONSULTANT.** By F. C. Minaker. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1954. 35 cents. The author, a management consultant himself, here offers some advice to management on how to get the most for its money in hiring a consultant. Declaring that most failures in projects undertaken jointly by management and a consultant have resulted because management did not know what to do (1) before hiring a consultant, (2) once the consultant has been hired, and (3) to insure that the tools developed would be put to use, the article presents five areas for management consideration. Among these are the determination of the specific problem to be solved, the selection of the consultant, and the investigation of the qualifications both of the consultant and the man who is actually going to do the job.

**HOW TO BUY A BUSINESS.** By Booton Herndon. *Nation's Business* (U. S. Chamber Building, Washington, D. C.), October, 1954. 60 cents. According to one authority, the number of companies bought and sold this year marks an increase of more than 300 per cent over 1953. This article explores the reasons why businesses are bought and sold, spells out some of the criteria that actually determine selling prices, and describes how Chesapeake Industries, Inc., a firm with considerable successful experience in the field, goes about locating and sizing up companies for possible purchase.

**THE BUSINESS SCHOOLS: PASS OR FLUNK?** By Duncan Norton-Taylor. *Fortune*, (9 Rockefeller Plaza, New York 20, N. Y.), June, 1954. $1.25. The biggest new fact in higher education is that one out of eight college students now majors in business, and American management, by its hiring policies, largely determines what is taught. The author evaluates some of the results and possible future trends in education for business.

**THE "90 PER CENT" OF PUBLIC RELATIONS.** By John M. Pfiffner and Frank P. Sherwood. *Personnel Administration* (Prince and Lemon Streets, Lancaster, Penna.), July, 1954. 40 cents. While much attention has been centered on the "communicative" aspects of the public relations function (i.e., what a company says, via the press, radio, etc. about what it does), there is a rather general tendency to neglect the equally important "operative" aspects of public relations (i.e., what the com-

pany *does* in its incidental everyday contacts with its various publics). Concentrating on this area, the authors discuss the various conditions under which the public relations function becomes either a line or a staff activity and the shifts in emphasis necessitated in each case.

**WHEN A CITY BEGINS TO DIE.** By Ellis Haller. *Challenge* (32 Broadway, New York 4, N. Y.), August, 1954. 20 cents. The story of a cooperative community effort whereby the people of Utica managed to save that city from becoming an industrial "ghost town" when a number of textile mills moved south. Through a broad program of re-education, more than 3,000 displaced workers were taught new skills and were thus enabled to find work in other industries. The training program was so successful, in fact, that the pool of skilled workers thus made available attracted a number of new plants to the community.

**GUARANTEED ANNUAL WAGE?** By Kermit Eby and DeWitt Emery. *The Rotarian* (35 East Wacker Drive, Chicago 1, Ill.), July, 1954. 25 cents. A comprehensive discussion of the case for and against the GAW. The annual wage is fundamentally labor's demand for partnership with industry, the advocate of the plan contends, and if workers are extended the guarantees long given various professional groups, a new concept of labor should result, with workers—like many salaried employees—no longer measuring their obligations primarily in terms of wages and hours. The spokesman for the opposing view argues that general adoption of the GAW would be financially impossible unless the country develops a planned economy, with the consequent loss of freedoms—including workers' industrial liberties—basic to the American way of life.

## INDUSTRIAL RELATIONS

**BIG COSTS OF LITTLE FRINGES.** By Austin M. Fisher and John F. Chapman. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1954. $2.50. Few managements know the exact magnitude of fringe commitments in their own companies; and even if they do, they have almost no guideposts to go by in the form of facts on industry trends. This article analyzes and interprets the results of an extensive survey conducted by the *Harvard Business Review,* which found that the total cost of fringe benefits per productive hour worked had approached 41 cents by the beginning of 1953—a figure which represents a rise of more than 60 per cent during the five-year period 1948-1952.

**THE CARDIAC CAN WORK.** By S. Charles Franco, M.D. *Industrial Medicine and Surgery.* (605 North Michigan Avenue, Chicago 11, Ill.), July, 1954. 75 cents. The key to safe, productive employment of the employee who has heart disease is an adequate medical service coupled with selective placement, Dr. Franco asserts. Reporting on the experience of the Consolidated Edison Company of New York, he cites the results of a survey which showed that of 896 cardiacs employed by the company during 1952, more than 30 per cent were able to hold down their regular, full-time jobs without any physical restriction. And only about half of the remainder actually had to be transferred to lighter duty.

**THE YOUNG SCIENTISTS.** By Francis Bello. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), June, 1954. To learn something of the degree to which outstanding young scientists may differ from other people—on such matters as politics, religion, social convictions, personal interests, etc.—*Fortune* interviewed America's "20 most brilliant young scientists" and surveyed another 104 outstanding young scientists by questionnaire. The emerging portrait is detailed here.

**COMMUNISTS IN INDUSTRY.** *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), October, 1954. 50 cents. A discussion of the problem employers face in attempting to rid themselves of Communist employees—a problem hedged about with legal, labor-relations, and public relations difficulties—is followed by a description of some measures that can be taken to solve it. Albert Tuohy, Director of Security for Republic Steel, tells how his company gets information on suspected subversives, evaluates evidence, and goes about the business of discharging proved security risks.

**WHAT BUSINESS EXPECTS OF COLLEGE TRAINED PERSONNEL.** *Cost and Profit Outlook* (1401 Walnut Street, Philadelphia 2, Penna), June, 1954. Gratis. Though spokesmen for business stress the need for broad background, leader-

ship potential, vision, and other characteristics which are presumed to result from a well-rounded education, recruitment officers are more interested in specific techniques in selecting personnel. This article attempts to resolve this dilemma by pointing out that both immediate utility and growth capacity are required in college-trained personnel in modern business and that both should therefore be required by recruiting officers. Also suggested are periodic surveys of business principle and practice and business sabbaticals, in which an executive returns to the campus for a half-year or more.

**ENGINEERING ASSOCIATIONS TAKE ON A UNION PATINA.** *Business Week* (330 West 42 Street, New York 36, N. Y.), August 28, 1954. 25 cents. Mass employment of engineers may speed economy operations, but it can also demoralize these workers, according to this article. The author shows how the loss of their professional prerogatives and the trend to salary leveling are driving an increasing number of engineers into such collective-bargaining organizations as the Engineers & Scientists of America, a loose federation founded two years ago.

**EMPLOYEE ATTITUDES AND OUTPUT.** By Rensis Likert and Stanley E. Seashore. *Monthly Labor Review* (Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.), Vol. 77, No. 6. 55 cents. The findings of a number of independent studies, most of them already published in one form or another, are brought together here to throw light on the problem of how the net productive effort of a work force may best be increased. In sum, these findings suggest, say the authors, that higher productivity may result in more, rather than less, job satisfaction; and that it can better be motivated by improving the job situation of employees individually than by broad, impersonal policies.

**INDUSTRY DOES NOT WANT HUMAN ROBOTS.** *Challenge* (32 Broadway, New York 4, N. Y.), September, 1954. 20 cents. Progressive job simplification has resulted in a widespread loss of job interest and satisfaction, the author asserts; but "job enlargement"—getting the most out of the man instead of the machine—promises a solution. He cites several examples of company programs designed to make jobs less monotonous and to give workers an opportunity to do some creative thinking.

## OFFICE MANAGEMENT

**OFFICE MANAGERS: THEY MOVE SIDEWAYS INTO THE ELECTRONIC ERA.** *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), September, 1954. 75 cents. Based on a comprehensive series of tape-recorded interviews with office managers, this article summarizes the most frequently cited reasons for the rather slow adoption of electronic methods in the office. Among office managers' complaints: Top management is not sufficiently interested in the "electronic revolution"; from the standpoint of present methods and standards they are not really in shape for automatic processing; and they are not happy with the ways in which equipment manufacturers are attempting to sell new machines to them.

**WHITE-COLLAR UNIONS ARE DIFFERENT!** By George Strauss. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1954. $2.50. Examining the phenomenon of white-collar unionization, the author attempts to explain not only why managements "find white-collar unions confusing and even threatening," but why unions have trouble organizing and servicing white-collar groups. The basic explanation, he says, lies in their middle-class background and orientation, which shapes their aspirations in terms of greater prestige, dignity, and control over environment rather than the traditional goals of industrial workers' unions. In line with this analysis, Mr. Strauss makes some general predictions about the type of demands management is most likely to encounter from clerical unions.

**TO CHECK UP ON OFFICE MANAGEMENT, HERE'S WHERE TO START.** *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), September, 1954. 75 cents. A checkup list of questions relating to all key areas of office efficiency. The editors declare that the average office executive will not be able to furnish the right answers on more than 10 per cent of the 177 questions!

**WHAT EUROPE IS CONTRIBUTING TO ELECTRONIC OFFICES.** By Herbert O. Brayer. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), September, 1954. 35 cents. The experience of European managements and

office equipment manufacturers with the design and application of electronic equipment in the office has much in common with that of their American counterparts, the author found in the course of an extensive European tour. The "building block" principle, by which a punched-card installation may be expanded by the addition of new equipment as the need grows, has led to the development of relatively small-scale computers for immediate practical applications; meanwhile, long-range management thinking sees a greater potential in the data-organizing ability of large-scale electronic equipment than in its speed in solving mathematical problems.

**CUTTING OFFICE COSTS IN SMALL PLANTS.** Small Business Management Series No. 6 (Superintendent of Documents, U. S. Government Printing Offices, Washington 25, D. C.), 49 pages. 25 cents. This review of the basic methods for achieving effective cost control in the office is by no means limited in interest or applicability to the small office. While it is true that the authors have assumed very little knowledge of control techniques on the part of the reader, the chances are that even a highly cost-conscious office manager will find a few worth-while suggestions here.

**TECHNIQUES FOR EARLIER CLOSING OF MONTHLY ACCOUNTS.** By William C. Madden. *The Office* (270 Madison Avenue, New York 16 N. Y.), August, 1954. 25 cents. Presented here are a number of methods for achieving earlier closings, including suggestions on using cut-off dates and estimates, establishing a methods improvement program, and determining the degree of mechanization to be applied to accounting functions. The author describes the steps taken to speed up final closing by one company, which, in acquiring a number of widely scattered operating units, also acquired several new accounting problems.

**WESTINGHOUSE'S WORK SIMPLIFICATION SAVES $2,500 PER SUPERVISOR.** By Wells Norris. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), September, 1954. 35 cents. A detailed account of the planning and organization of a successful clerical work-simplification program, the responsibility for which rests with the company's supervisors. By the end of this year, all 3,000 of these will have completed a carefully designed 14-hour work simplification course conducted by conference leaders who in turn have been specially trained for the purpose. A concise summary of the seven-session course accompanies the article.

## MANUFACTURING MANAGEMENT

**WHY AUTOMATION IS FOR YOU.** *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), July, 1954. 50 cents. Here, in question-and-answer form, is a comprehensive "progress report" on automatic processes as applied to a wide variety of manufacturing and packaging operations. In many industries, the article points out, automation will become a necessity for competitive survival, and the management that waits too long to investigate the vast production and cost-saving possibilities in this field may find itself a casualty of the "second industrial revolution."

**TOMORROW'S AUTOMATION NEEDS NEW STANDARDS TODAY.** By Roger E. Gay. *Automatic Control* (430 Park Avenue, New York 22, N. Y.), August, 1954. $1.00. (Gratis to managers responsible for installation of automatic control equipment and systems.) A necessary first step toward automation is to standardize machines and processes, and, as the author points out, standardization is a time-consuming process. Accordingly, he urges that management take steps in this direction now so as to be prepared for automation.

**CAN A SAFETY CONTEST SAVE?** By George J. Neumann. *Safety Maintenance & Production* (75 Fulton Street, New York 38, N. Y.), September, 1954. 50 cents. This case account from a company that has used safety contests regularly during the past 14 years offers some convincing evidence of their value in helping to reduce plant accidents. During 68 of those months when contests were in progress the accident frequency rate was nearly 43 per cent lower than during no-contest periods, and the severity rate was 44 per cent lower. The author also describes some typical contest themes and ideas.

**MATERIALS HANDLING PLANNED AHEAD AT NEW FORD AUTO PLANT.** By R. E. Thompson. *Pacific Factory* (709 Mission Street, San Francisco, Calif.), July, 1954. 50 cents. A report on how Ford engineers are solving complex materials handling problems in a huge automobile and truck assembly plant now under construction. Plans for using storage space, mobile equipment, container equipment, and other facilities are all being geared to strike a balance between tight scheduling and flexibility in handling.

## MARKETING MANAGEMENT

**PRODUCT DIVERSIFICATION: FIVE ROADS TO GREATER PROFIT.** *Steel* (Penton Building, Cleveland 13, Ohio), September 13, 1954, 50 cents. Most of the important aspects of product diversification are considered in this article, which features a number of case histories illustrating the pros and cons of diversification, several pertinent checklists, and a brief discussion of how to organize for diversification. The authors regard the present trend to diversification as beneficial in that it is putting "new emphasis on sound, clean management at a time when it is needed."

**HOW MUCH ADVERTISING IS ENOUGH?** *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), July 30, 1954. 25 cents. In this interview market consultant A. J. Gallagher cites facts and figures to show that during the most recent competitive period many companies have fallen far behind their own past practices in selling effort and advertising, while those companies that have given advertising a large and growing share of the selling load have very favorable performance records. Enlarging upon the current need for new and more accurate data concerning the performance of advertising, he points out what can be done with the information that is currently available to develop concrete guides.

**HAVE YOU MET THE MODERN SALESMAN?** By Bill Davidson. *Collier's* (Crowell-Collier Publishing Co., Springfield, Ohio), August 6, 1954. 15 cents. Not so many years ago, the American salesman was too often regarded as a loud-mouthed, high-pressure phony; though obviously unfair, this stereotype has been exceedingly persistent. Today, however, the author finds all this changing under the impact of buyers' markets and the resulting adoption by many companies of a new and enlightened sales philosophy. A creative approach, low-pressure methods, interest in people, readiness to assume responsibility, and a sense of personal dignity all characterize the "modern salesman," as he is described in this article.

**HOW POINT-OF-PURCHASE IS BOUGHT.** *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), March 26, 1954. 25 cents. Since point-of-purchase advertising represents a major advertising investment for companies in the fields where brand selling is most important today, it is of interest to know something about company practice with regard to the purchase of this type of advertising. This article presents the results of a *Printers' Ink* survey showing how and by whom buying decisions are made, the extent to which dealers participate in costs, and other related information.

**BREAKING INTO A NEW MARKET?** By James K. Blake. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), August, 1954. 75 cents. In attempting to enter a new market, you must have more than a good product, says the author. Careful planning, appraisal, and scheduling, plus clearly defined areas of executive responsibility, are required if the venture is to be successful. This article describes how one company handled the problem, presenting a schedule for new-product development which most companies can use.

## FINANCIAL MANAGEMENT

**COST-OF-LIVING PENSION PLAN.** By Geoffrey N. Calvert. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1954. $2.50. A new type of pension plan recently launched by National Airlines is designed to adjust pensions to changes in the cost of living occurring both before and after retirement. The background and development of this plan, which is regarded in many quarters as the most significant advance in the pension field in some years, are here outlined by an economist and actuary who was in large measure responsible for conceiving and formulating it.

**THE PENSION AND PROFIT-SHARING PROVISIONS OF THE INTERNAL REVENUE CODE OF 1954.** By Meyer M. Goldstein. Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. August, 1954. Gratis. Among the topics covered in some detail by this 30-page booklet (supplemented throughout by appropriate citations) are the types of pension plan available to companies which have not yet instituted a plan, the tax advantages of pension plans, the effect of the new tax law on existing plans, tax aspects of amending a pension plan, and the new provisions affecting both new and existing profit-sharing plans.

As far as pension and profit-sharing plans are concerned, points out Mr. Goldstein, the Internal Revenue Code of 1954 is basically prior law with liberalization in many areas.

**UNITED STATES TAX POLICY.** *Current History* (108-10 Walnut Street, Philadelphia 6, Penna.), August, 1954. 50 cents. Articles by leading experts in the tax field cover past trends and recent developments in corporate taxation, personal income taxes, excise taxes, state and local taxes, and proposals for a national sales tax. Also included is the recent tax address by President Eisenhower.

**WHAT PROFIT-SHARING DOES FOR SIGNODE STEEL.** By Phil Hirsch. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), September, 1954. 35 cents. Describes the main features of an outstandingly successful profit-sharing plan, covering about 800 employees, which has paid out more than $1.5 million in benefits over the past six years. In addition to company contributions, participating employees pay between 2 per cent and 4 per cent of their earnings into the fund, which is invested largely in government and company securities.

## INSURANCE MANAGEMENT

**INSURANCE AS RESPECTS ITS IMPORTANCE TO CREDIT.** By R. S. Bass. *The National Insurance Buyer* (Hotel Martinique, 32 Street and Broadway, New York 1, N. Y.), September, 1954. Gratis. A comprehensive survey, from the credit executive's point of view, of the varieties of insurance coverage needed for adequate protection of the earnings and physical assets of customer firms. The author recommends, among other things, that in policies subject to coinsurance the amount of insurance carried should be slightly higher than the present value of the assets. The resulting safety margin, he believes, is well worth its slight additional cost.

**NEW APPROACHES TO FIRE PROTECTION.** By Matthew M. Braidech. *Safety Maintenance & Production* (75 Fulton Street, New York 38, N. Y.), September, 1954. 50 cents. A review of new types of equipment, preventive measures and protective devices that are now available and are being used to reduce fire and explosion hazards in industry. While the most notable advances have to do with improved applications of water—still regarded as the best general extinguishing medium—other developments include various mechanical means for quick removal of process liquids and gases from the burning area.

**DEVELOPMENT OF EMPLOYEE BENEFIT PLANS IN GENERAL MOTORS REVIEWED.** By James G. Gillen. *The National Insurance Buyer* (Hotel Martinique, 32 Street and Broadway, New York 1, N. Y.), September, 1954. Gratis. In 1925, 30 per cent of General Motors employees were without any life insurance protection whatever, and another 30 per cent had coverage of $500 or less. This article describes the development of GM's program from that time up to the present day, when approximately 95 per cent of all eligible GM employees are enrolled in a group insurance program with total life insurance in force of more than $2.7 billion; 99 per cent contribute to the retirement program; and 90 per cent participate in a medical expense insurance program which supplements Blue Cross and Blue Shield plans with additional coverage.

**EXPERIENCE IN ADJUSTING AN ACTUAL BUSINESS INTERRUPTION LOSS.** By Lloyd R. Everhard. *The National Insurance Buyer* (Hotel Martinique, Broadway and 32 Street, New York 1, N. Y.), September, 1954. Gratis. A detailed account of the calculating and processing of a business interruption claim arising out of a quarter-million-dollar fire, which may be instructive for companies with similar operations which have not experienced a loss. One problem recounted by the author, who is Secretary of Trailmobile, Inc., was the difficulty of replacing certain raw materials within the limits of the standard 30-day raw stock provision of the business interruption policy.

**HOW TO SELL BOILER AND MACHINERY INSURANCE.** *Rough Notes* (1142 North Meridian Street, Indianapolis 6, Ind.), September, 1954. 35 cents. This feature section offers an article by A. G. Jeter which, though written specifically for the agent, contains much useful information for the corporate insurance buyer on a form of coverage which is of great importance in the majority of manufacturing operations, though the variety of perils covered and the engineering terms used in the contract are not always fully understood. Also of interest is a chart summarizing the coverages provided by the standard Boiler and Machinery policy.

## Survey of Books for Executives

**POWER OF WORDS.** By Stuart Chase. Harcourt, Brace and Company, New York. 1954. 308 Pages. $3.95.

*Reviewed by James M. Black**

The woods are full of authors, and all of them use words to write books. But Stuart Chase has a different angle. He writes books about words. And in so doing, he has given the layman a much clearer understanding of semantics and the proper utilization of language as a tool of communication.

Goodness knows it's needed. For in a pre-Orwellian world where double-talk is apparently the precursor of double-think, anything anybody can do to cut jargon or "expertese" down to size is needed. Mr. Chase has done a lot in the past. In his new book, *Power of Words,* he does even more. His brilliant discussion of such aspects of communications as cybernetics, linguistics, group dynamics, and brain physiology is a highly informative and perfectly integrated example of how the insights of the social sciences can be applied to the lucid and precise transmission of thought.

Somebody or other once defined talk as "noises made by the face." And talk, a great deal of it loose, has been going on for two or three hundred thousand years. Of course, in the beginning it was fairly elementary; the "me, Tarzan—you, Jane" kind of thing. That's because in the beginning mankind was simple and direct. There was small need to deal with the abstract.

But as man grew more civilized, his ideas became more complex. Language inevitably assumed a similar complexity. But it remained an imperfect tool. For, as Mr. Chase says, "Language is not the world around us, but rather an indispensable guide to that world. Language cannot tell 'all' about an event; some characteristics will always be omitted. At the end of every verbal definition there are undefined terms. We reach the silent level where we can point, but we cannot say. If there is nothing to point to, the communication line may break." When you stop to think, Mr. Chase is exactly right. For words are the articulation of ideas. And, as the author observes, it is perfectly apparent that without words organized warfare would be impossible, demagogues would lose their audiences, religious strife and ideological quarrels would be unknown. In fact, it is the misuse of words that is largely responsible for the insecurity of man's life on this planet. And the failure of one nation to understand the ideas of another, even when those ideas are expressed in identical words, accounts for much of the mutual suspicion and hostility among the peoples of the world today.

Take the case of Clement Attlee, who recently headed a group of peripatetic politicians touring Russia and China. Words were a constant bugaboo to him and his party. At a cocktail party given in Moscow for the visiting Britishers, the conversation got around to semantics. An attempt was made to define the word "freedom." For a long time there was no meeting of the minds. But the English, skilled as they are in the art of compromise, found an "out." Freedom, it was agreed, means different things to different people. In the West freedom is the "right of the individual to choose his own course of action." Not so behind the Iron Curtain. The Russians defined it thus: "The freedom of the individual from having to choose." Paradoxical, isn't it? But recall Alice's remark to Humpty Dumpty in Lewis Carroll's classic, and you get the idea. "The question is," said Alice, "whether you can make words mean so many

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different things." "The question is," said Humpty Dumpty, "which is to be master —that's all."

Speaking of the Russians, Mr. Chase's chapter on how the Kremlin has put words to work at forced labor for the advancement of communism is an incisive study of how semantics can be corrupted. The language of propaganda is a language of symbols robbed of ideas. However, says Mr. Chase, propaganda cannot exist indefinitely on words alone; there must be acts to reinforce the words. Thus in Russia the law of diminishing returns has set in, and Soviet propaganda is losing its effectiveness. Having failed to twist semantics permanently to its own uses, the Soviet dictatorship is now trying to destroy the entire science. A quote typical for its restraint and moderation is this one, from a Russian philosophical journal:

> Semantics will not save the capitalist beast . . . Chase (Stuart) the bourgeois economist . . . has lost the last remnants of common sense and come forward with a fanatical sermon . . . a belief in the magical power of words. All his strivings are directed to keeping the people in economic, political and spiritual slavery. This is the goal which is served by the clowning of the semanticists . . .

Nowadays, being singled out like this for special excoriation by a Russian journal is a sort of left-handed compliment. In fact, an American owning a clipping like this might find it a pretty handy thing to have around the house in the event he was asked to talk things over with an investigating committee. For the Russians are not the only people guilty of distorting semantics to serve their own ends. Mr. Chase devotes a section of his book to American-style word-twisting, which he entitles "Guilt by Association." Referring to the ecclesiastical courts of the Spanish Inquisition, under whose rules of evidence heretics were often convicted on the flimsiest of grounds, he says that if you substitute the word "communist" for heretic, you're not too far off from what's going on today. "In the United States," writes Mr. Chase, "charges of subversion were widely circulated, chiefly by political demagogues in Congress and state legislatures. . . . Instead of 'heretic,' the scapegoat was 'communism,' but the verbal patterns were very similar."

*Power of Words* is an intelligent book, it is a provocative book, and it is a needed book. After discussing new findings in the field of semantics, Mr. Chase applies this knowledge to various fields such as mass media, Russian propaganda, politics, economics, and diverse forms of contemporary gobbledygook. While *Power of Words* is hardly hammock-reading fare, it is interestingly—and understandably—written. It will be extremely helpful to anyone, in or out of business, who deals with mass communications. Also, the ordinary reader will find it difficult to put aside, particularly if he is of an inquiring turn of mind. Stuart Chase has the knack of writing about words in a way that makes them as fascinating as they really are. It is said that the Greeks had a word for it. But after reading *Power of Words,* I'd offer odds that Mr. Chase has the last one.

**A GUIDE TO MODERN MANAGEMENT METHODS.** By Perrin Stryker and the editors of *Fortune*. McGraw-Hill Book Company, Inc., New York, 1954. 300 pages. $3.50.

***Reviewed by Carl Heyel****

This book provides a truly panoramic view of a broad and important field of management. In one respect, however, the title may be somewhat misleading; with the exception of a brief chapter on planning and control ("P & C for Profit"), another chapter on how to choose management consulting services, and a third which recounts some successes in the elimination of old records and excessive filing, the book does not actually discuss "management methods," but confines itself to the human-relations problems of

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management: executive selection, executive development, organization, communications, retirement, and the like.

All of the chapters have appeared as articles in *Fortune* in the years since 1949. This does not mean, however, that they are in any sense "dated." Indeed, this reviewer read the book through with great and revived interest, even though he had come across most of the material before in *Fortune's* pages. As might be expected, the writing itself is of the highest order, so that one is carried along by the ease and smoothness of the style as well as by the intrinsic interest of the subject matter. This journalistic felicity is exemplified by such chapter titles as "Bringing Up the Boss" (on executive development), "What's Your Problem?" (on choosing consultants), "How to Play the House Organ" (on employee publications), "Money in the Wastebasket" (on records elimination and control), or "A Slight Case of Overcommunication."

In their preface, the authors are careful to disclaim any pretense at being experts in management methods. They set themselves up only as what they are—reporters of the business scene. By dint of an obviously immense amount of "leg-work"—in the course of which they interviewed responsible top executives in literally hundreds of companies—coupled with assiduous library research, they have brought within two covers examples and experiences encountered in a wide variety of business organizations, large and small.

This method has both advantages and drawbacks—with the advantages (provided the reader has read the preface and takes the book for what it is meant to be) perhaps overshadowing the disadvantages. On the plus side are the breadth and objectivity of the coverage. The authors have no particular axe to grind, and therefore give a good, commonsense, layman's account of the present status of a wide range of specific fields. For example, Chapter 4, "The Tests of Management," gives a good bird's-eye view of personality and other types of testing, and a reader without any prior knowledge of the subject will undoubtedly "get the feel" of what has gone on in this important area. A similarly admirable job has been done (in remarkably small space and in lively, easy-to-read style) in the chapters on training, profit sharing, theories of organization, and the like.

The disadvantage of their method is, of course, that—not having themselves been subject to penetrating disciplines in the fields treated—the authors cannot avoid a certain indiscriminateness of choice among topics discussed and opinions cited, and cannot themselves point out positive directions. Not wanting to fall into the trap of championing a specific "ism" when treading the thin ice of a perforce superficial knowledge of disciplines to which other men have devoted their whole lives, they must end many of their chapters on a "but on the other hand" note—e.g., that there are no easy solutions to organization (or profit sharing, or executive development, etc.); that much depends upon individual corporate situations, or future research in the field; and the like. In this connection it is to the authors' credit that they qualify their remarks as they do: "You pays your money and you takes your (own) choice."

With respect to case examples cited, an important asset of this book is that actual names of companies and men are given. This device brings the material to life, lends credence to the points made, and—most important of all—sets the example in proper perspective vis-a-vis the reader's own company. Thus it means more to read about "executive counselor Earl G. Planty at Johnson & Johnson," or "general manager A. H. Biggs at San Francisco's Emporium Store," than it would be to see anonymous (and, who knows?—perhaps hypothetical) references to "a chemical company executive" or "a department store manager." In the words of Mr. Stryker's own preface, "the executive who studies the cases, examples, and experiences reported in this book—and then thinks about their application to his own company—should be a wiser manager when he is through reading."

**HOW TO INCREASE EXECUTIVE EFFECTIVENESS.** Edited by Edward C. Bursk. Harvard University Press, Cambridge, Mass. 1953. 163 pages. $3.25.

***Reviewed by Bernard J. Muller-Thym****

This book is based on talks and panel discussions at the twenty-third National Business Conference sponsored by the Harvard Business School Association in June, 1953. Part I is built on four major talks given at the morning session (subjects: introduction of the conference theme; creating the proper executive climate; executive freedom; efficient organizational structure). The panel discussions, which provided material for Part II, were concerned with how to develop general managers, how to develop executives in more specialized parts of the business (sales, manufacturing, and financial executives, and controllers), and how the individual can increase his own administrative effectiveness.

Business readers familiar with earlier books in the Harvard series will expect the present book to be of unusually high quality, as indeed it is. It is full of statements of principle, observations, insights, and examples that are of practical value to management since they have clearly been drawn from concrete business experience. In fact, since first reading the book through, this reviewer has found himself returning to it many times, opening it and reading almost at random as a means of stimulating a fresh chain of thoughts. Moreover, the book has special values that derive from the organization of the Conference, the manner in which the theme is developed, and the highly professional job that has been done of editing and presenting material from the panel discussions.

As in previous years, participants in the Conference were business leaders, executives from many different types of business, consultants, and business educators—all men who are dealing with real management problems in a thoughtful, articulate, creative way. The papers and discussions, therefore, are alive and useful; there is very little stereotyped management language. Beyond this, however, the interchange of experience and thinking has been arranged so that the papers and discussions seem to be not so much treatments of isolated subjects, however important, as different ways of approaching certain central truths that are the focal point of all the Conference material.

Most of the participants, for example, seem to agree that increasing executive effectiveness is not primarily a matter of improving selection, coaching, or training techniques. All recognize the value of these and offer many suggestions on how to deal with the individual executive. But the discussions seem to take it for granted that the same conditions that make for the most effective running of a business also contribute most to the development of executives and to individual executive productivity.

Therefore, the most fundamental approach to increasing executive effectiveness is for a company to address itself to the best way of running its business and to the conditions of executive work. No one, so far as I recall, *says* this in so many words. But this is what almost all of the participants are *talking about.*

In several places, for example, they discuss decentralization as a means of creating conditions for greater executive productivity. Some emphasize the need for creating decentralization within the decentralized unit, as well as at the top of the company. There are discussions of committees, "assistant to" positions, intermediate levels of supervision, and the effect of such organizational institutions on executive effectiveness. Three or four of the speakers deal with the importance of creating freedom within the executive task and of clarifying areas of freedom and of restriction. They further point up the importance of developing the educational part of the superior's job as a corollary to creating executive freedom.

Finally, the panel participants constant-

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ly stress the difference between developing expertness in a specialty (like sales or manufacturing) and developing general management skills. It is interesting to see that they do not confine themselves to the problem of developing generalists to succeed to the chief executive's job. They adopt a broader point of view and seem to state that sales and manufacturing executives, for example, also need to be generalists. And they seem to relate executive effectiveness more to such general management skill than to proficiency in a specialized function.

There are many particular points of interest, too. There are helpful comments, for example, on special organizational techniques, executive incentives, and management methods that have helped individual executives increase their own effectiveness. The main message of the book, however, and its greatest value, centers about the points discussed above.

A concluding word of commendation is due the editor. The material developed in the Conference was varied and rich. In spite of this, the book itself is compact and the central themes emerge clearly. A great deal of the force and clarity of the book is undoubtedly due to the way the editor has presented the panel discussions.

**EMPLOYMENT PSYCHOLOGY: THE INTERVIEW.** By Roger M. Bellows and M. Frances Estep. Rinehart and Company Inc., New York, 1954. 304 pages. $4.25.

***Reviewed by Milton M. Mandell****

The confidence of interviewers in their own judgment and a lack of research in the field have been the greatest obstacles to improving the results of interviews. But there is hope that the constant attacks that have been made since 1945 by psychologists on the interview *as usually conducted* will lead to progress. The present emphasis on using supplementary information to aid the interviewer, which is the basic theme of this book, is one of the important new developments—along with recognition of the importance of proper selection and training of interviewers, the use of two or more interviewers, and the use of systematic methods for obtaining information and analyzing and reporting interview results.

*Employment Psychology* is a useful summary of important information for the interviewer. It properly stresses the need for adequate job information, although it omits any reference to the peculiarities of the supervisor or work situation as important points for the interviewer to consider, along with formal job information, in deciding on the desirability of an applicant. One special feature of the book is its exceptionally complete discussion of the necessity of wording interview questions carefully. A valuable chapter summarizes the work that has been done to systematize the subjects covered in the interview and the reporting of results, thereby getting away from the discursive approach and fragmentary reporting which is still so common.

The authors seem to recommend most strongly specifically validated biographical items (such as age, education, and marital status) and tests as supplementary information for interviewers, while other psychologists have recommended, as the most valuable supplement, information obtained from former employers by telephone inquiry or personal visit. This reviewer regards the latter method as the preferable one—i.e., using the tests and biographical items as preliminary eliminators, with the interview concentrating on the information which does not readily lend itself to quantification.

The authors state (p. 4), "The interview has been called the most used and the least useful of the available personnel tools." It is possibly because they share this opinion that the authors have emphasized the use of objective validated aids to the interviewer. They know that the characteristics of the interviewer can determine the outcome of the inter-

* Personnel Consultant, Arlington, Va.

view and that exhortations to the interviewer to control his biases and recognize his stereotypes may be fruitless. It is doubtful, however, whether the subjective use of objective data, as the authors recommend, is as fruitful a solution to this problem as the direct approach of emphasizing the need for proper selection of interviewers and using multiple interviewers to reach better-balanced decisions.

**THE TECHNIQUES OF CREATIVE THINKING: *How to Use Your Ideas to Achieve Success.*** By Robert P. Crawford. Hawthorn Books, Inc., 70 Fifth Avenue, New York 11, N. Y. 1954. 287 pages. $3.95.

*Reviewed by A. Gregg Noble*

"Serendipity"—what it is, how to develop it, and how to make it pay off—is explained in Professor Crawford's book, an adaptation of his very popular course at the University of Nebraska. *The Techniques of Creative Thinking* is the secular counterpart of Dr. Norman Vincent Peale's *Power of Positive Thinking.*

Serendipity, as the reader discovers, is a word created by Horace Walpole in 1754 to describe the doings of the "Three Princes of Serendip," who spent their lives in travelling and discovering, by accident or sagacity, things they were not in quest of.

Serendipitiously speaking, the essence of creative thinking is the observation of facts, imagination, the adapting of ideas to new fields, and the diligent effort to apply them to solutions of problems. Professor Crawford leads the reader, step by step, through the development of the necessary techniques. At the same time the reader's mind is gradually conditioned for creative thinking, until finally the author makes his climatic statement: "This is a world of change, and the more changes the more problems. Each solution of a problem brings more problems." When have opportunities for innovation been more plentiful than today?

Early in the book Professor Crawford poses this question: Why have so many individuals who were considered brilliant in school accomplished nothing, while others of less intelligence are taking life easy on high salaries? Later he mentions corporations who "haven't had an idea in 25 years"—and ideas, of course, must come from individuals. The implication is that people who have ideas and develop them will grow, and so will the corporations they work for; while individuals who neither have ideas nor make the effort to develop them, must stagnate.

Professor Crawford's book is amply documented with illustrations and success stories, which make for easy reading. Hardly anyone perusing it can fail to be stimulated to productive thought. It is good medicine for those starting out in life, as well as for others who have become sidetracked.

**EMPLOYEE TRAINING HANDBOOK: *A Guide for Training by Operating Management.*** By Bleick von Bleicken. Conover-Mast Publications, Inc., 205 East 42 Street, New York, N. Y. 1953. 294 pages. $5.50.

*Reviewed by Joseph M. Rich**

"There is never a situation of 'no training,'" says Carl Heyel in his excellent foreword to this book. "There is either poor training or good training, and since in practically every enterprise labor is still the biggest controllable cost, it behooves management to see that it employs good training rather than poor."

In the first quarter of his book, Mr. von Bleicken has made a very penetrating analysis of the rise and scope of industrial training against a background of increasing technology, the economic and social importance of mass unionization, and the overriding effect of individual as well as group attitudes and motivations. He makes a strong case for examining,

* Personnel Director, Blumenthal Bros. Chocolate Co., Philadelphia.

and even discussing openly with trainees and with the management which pays for training, the vital question: "What's in it for me?"

The remainder of the book is devoted to a series of chapters on each of the conventional aspects of the training function: opinion surveys, matching methods to needs, apprenticeship, on-the-job training, induction, supervisory training, conference methods, visual aids, communications as training, training the handicapped. Each is filled with examples, sample forms, and how-to-go-about-it outlines. There are a few brand new angles for the experienced training man; but there are also a few statements of doubtful validity—*e.g.*, "The majority of industrial, sales and business training films are of the 8-millimeter variety."

As his subtitle implies, Mr. von Bleicken believes that training is one of the fundamental responsibilities of each member of line management. Most readers will agree. Many will even go along with his sample description of a foreman's job—in which five out of nine paragraphs are devoted in part or in full to training duties. But few will agree with the author's easy assumption "that training must be a spontaneous and natural process if it is to live a healthy and effective existence." The author is most sincere in this latter statement, which he labels "the fundamental theme of this book." He is, in fact, so sincere that he believes line management will of its own accord undertake many or all of the varieties of training programs after one or two key members of the staff have acquired the few basic principles of training and communicated their knowledge to the other members of the management team.

Here, to this reviewer, is the major weak spot in an otherwise satisfactory exposition of industrial training: The author describes at least one acceptable method for each general type of training. But the particular methods described require a lot of time and specialized skills. They are not suited to the spontaneous and natural administration by line management which the author advocates.

For the professional trainer, *Employee Training Handbook* will prove a useful supplement to the two earlier broad-coverage books on training by Earl Planty and his co-authors and by George Halsey. It will be especially interesting to those who have recently embarked on training work. For *operating management,* however, several other sources might prove more inviting—and also provide a more realistic approach.

**DEVELOPING MANAGEMENT ABILITY:** 600 *Questions and Answers*. By Earl G. Planty and J. Thomas Freeston. The Ronald Press Company, New York, 1954. 447 pages. $7.00.

***Reviewed by George B. Corless****

Perrin Stryker of *Fortune* has called the postwar period "the era of management development." Certainly no phase of scientific management has aroused greater interest or made more rapid progress in the same length of time.

One of the reasons for the rapid growth of management development has been the willingness—almost the zeal—of its advocates and practitioners to share their experience with others. Johnson & Johnson have been unusually progressive in this respect, both in experimenting with new techniques of training and development and in publishing the results obtained. New Brunswick has been a Mecca for training men, and Dr. Earl Planty has been a Mahomet of new and frequently unorthodox methods of training and development.

Out of thousands of questions asked of Dr. Planty and his associates, 600 have been answered in this book. *Developing Management Ability* is a sincere effort to serve the readers who supplied the questions, rather than to

* Advisor on Executive Development Standard Oil Company (N. J.).

advance any pet theories or procedures. To answer 600 questions in 425 pages, the authors were forced to be almost dogmatic at times. As they say in the preface, "Readers will quickly sense that we are not timid or uncertain about our position or our methods." However, they provide an excellent bibliography of 104 reference works—all written since World War II—which will guide the reader, who may disagree with the authors, to sources that may illuminate other facets of his problem.

The classification of the 600 questions and answers under 31 classifications—ranging from "Definitions and Values" to "Evaluating Development Activities"—and a 14-page index of topics makes *Developing Management Ability* the training man's ready reference for almost any problem that might arise—except one. The reader will find no direct answer to the question: "What is 'management ability'?"

## *Book Notes*

**[Please order books directly from publishers]**

### GENERAL

**ESSENTIALS OF INDUSTRIAL MANAGEMENT.** By Lawrence L. Bethel, Franklin S. Atwater, George H. E. Smith, and Harvey A. Stackman, Jr. McGraw-Hill Book Company, Inc., New York, 1954. 449 pages. $5.50. This textbook on industrial management emphasizes coordination of the management function through effective human relations and communications and through the application of scientific principles to the planning and development of the various phases of the operation. It seeks not only to offer guidance for dealing with specific management problems presented but to aid in developing a proper attitude toward the management function.

**OXFORD ECONOMIC ATLAS OF THE WORLD.** Prepared by the Economist Intelligence Unit and the Cartographic Department of the Clarendon Press. Oxford University Press, New York, 1954. 152 pages. $4.80. This new reference volume is designed to meet the needs not only of economists and geographers but of those engaged in trade and industry who require information about world economics. The bulk of the book is devoted to maps and general information on basic commodities, including figures on world production and consumption and international trade. Also provided are data on population and communications and an alphabetical index, by country, giving vital statistics and representative tabular reports of annual production, import, and export rates.

**PUBLICITY IN ACTION.** By Herbert M. Baus. Harper & Brothers, New York, 1954. 335 pages. $4.50. In this handbook of modern publicity techniques, the author surveys the various uses of newspapers, magazines, radio and television, motion pictures, direct mail campaigns, and display materials. Practical examples are used throughout to illustrate the application of specific techniques.

**AGE AND ACHIEVEMENT.** By Harvey C. Lehman. Published for the American Philosophical Society by Princeton University Press, Princeton, N. J., 1953. 359 pages. $7.50. In this statistical evaluation of the relationship between chronological age and outstanding performance, Mr. Lehman offers factual information on achievement in a variety of fields, much of it in graphs and tables. While the material presented is admittedly limited in scope, its implications for industry and other areas of human endeavor are obviously of considerable importance.

**INDUSTRY IN THE PACIFIC NORTHWEST AND THE LOCATION THEORY.** By Edwin J. Cohn, Jr. King's Crown Press, Columbia University, New York, 1954. 214 pages. $3.50. Mr. Cohn examines the industrial development of an immature, growing economy in an attempt to ascertain why a particular form of development is taking place and thereby provide some evaluation of the usefulness of locational theory. The Pacific Northwest was chosen in order to study the efficacy of abundant, cheap hydro-electric power in attracting industry and encouraging growth and diversification, and to observe the effect of widely available electric power on the dispersion of industry within an area.

**FORD: THE TIMES, THE MAN, THE COMPANY.** By Allan Nevins, with the collaboration of Frank Ernest Hill. Charles Scribner's Sons, New York, 1954. 688 pages. $6.75. Primarily the history of the Ford Motor Company, this biography of a famous industrialist is a record of the mechanical, economic, and social revolution that followed the invention of the automobile. The pioneering genius of Ford and his associates is described against the background of their times and the emerging industrialization of the United States.

**THE TYPEWRITER AND THE MEN WHO MADE IT.** By Richard N. Current. University of Illinois Press, Urbana. Ill. 1954. 149 pages. $3.50. A scholarly history of the early development of the typewriter, based on a wide variety of source material, particularly correspondence between the principal inventor—Christopher Latham Sholes—and James Densmore, the new machine's first promoter.

**HANDBOOK OF GRAPHIC PRESENTATION.** By Calvin F. Schmid. Ronald Press Company, New York, 1954. 316 pages. $6.00. Intended as a guide to the clear presentation and interpretation of statistical data through charts and graphs, this working manual shows how complex information may be made easily intelligible to the busy executive or the general public. The basic types of statistical charts are analyzed, and discussions of chart-making procedure, statistical maps, and three-dimensional charts and graphs are included.

**THE GROWTH OF INTEGRATED OIL COMPANIES.** By John G. McLean and Robert Wm. Haigh. Graduate School of Business Administration, Harvard University, Boston, 1954. 728 pages. $12.00. In this study of the process of progressive adaptation which has resulted in the gradual emergence of large, integrated companies as the predominant form of organization in the oil industry, the authors examine (1) the structure of the industry in 1950, (2) the circumstances which have encouraged vertical integration, (3) the structures of a selected group of companies and the nature of the process by which they have continually adapted themselves to new conditions, and (4) the changes which have taken place in the participation of small business in the refining segment of the industry during the 30-year period 1920-1950.

**TECHNIQUES OF PLANT MAINTENANCE AND ENGINEERING—1954.** Proceedings of the Technical Sessions held concurrently with the Fifth National Plant Maintenance and Engineering Show, Chicago, January, 1954. Clapp & Poliak, Inc., 341 Madison Avenue, New York 17, N. Y. 1954. 291 pages. $7.50. Includes prepared papers on organizational and training problems; sanitation methods, materials, and controls; work standards and incentives; waste disposal; and hospitals, medical departments, and first aid rooms. Complete transcripts of questions and answers also are provided, as well as summaries of 20 round-table discussions of special maintenance problems.

**HOW AND WHEN TO CHANGE YOUR JOB SUCCESSFULLY.** By Walter Lowen. Simon and Schuster, New York, 1954. 241 pages. $2.95. Here is detailed, realistic advice for the man or woman considering a change of job. Among the chapter headings are "The Boss's-Eye View", "Should You Jump Up or Out?", "First Steps After the Big Decision", "The Vital Interview", and "Your First Week on the New Job." The concluding section—on "New Frontiers"—discusses future prospects and opportunities in major employment fields.

**EXECUTIVE SKILLS: *What Makes a Good Administrator.*** By Robert L. Katz. The Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. 1954. 20 pages. Gratis. The author of this brochure contends that effective administration depends upon three basic skills which he terms "technical," "human" and "conceptual." He explains how the importance of these skills appears to vary with the level of administrative responsibility, and discusses the implications of his findings in terms of executive development.

## INDUSTRIAL RELATIONS

**THE LOCAL UNION: ITS PLACE IN THE INDUSTRIAL PLANT.** By Leonard R. Sayles and George Strauss. Harper & Brothers, New York, 1954. 269 pages. $3.50. This documental study of the role of the local union in the American labor movement analyzes in detail the basic problems confronting the local—caught between the national union on the one hand and company management on the other—in its efforts to function as a truly democratic instrument. Consideration is given to the guidance process in its many aspects, to leadership at the local level, and to rank-and-file attitudes and participation patterns.

**POWER IN TRADE UNIONS: A STUDY OF THEIR ORGANIZATION IN GREAT BRITAIN.** By V. L. Allen. Longmans, Green and Co., Inc., New York, 1954. 323 pages. $5.00. Written by a lay member of the Amalgamated Union of Building Trade Workers, this study of union leadership in Great Britain should interest the American reader who wishes to compare union structure and operation in the two countries. A discussion of general principles and practice is followed by a detailed analysis, based on the constitutions of 127 affiliates of the Trade Union Congress, of policy-making procedures, the powers and functions of executive bodies, and the characteristics and qualifications of British union leaders.

**PROCEEDINGS OF SIXTH ANNUAL MEETING OF INDUSTRIAL RELATIONS RESEARCH ASSOCIATION.** Edited by L. Reed Tripp. Available from the Secretary-Treasurer of the Association, Park and University, Temp. 3 Room 5, Madison 5, Wisc. 1954. 358 pages. $3.00. Features discussions by prominent labor relations authorities on: How to Curb Communist Influence in Industrial Relations; Behavior of Wages; Annual Wage Guarantees; Substantive Principles and Procedures in Arbitration; Social Security—A New Look; Mobility of Industry and Labor in the United States; Research on Wages; The Place of Mediation in Industrial Relations; The Labor Movement in Underdeveloped Areas; and Management Personnel Philosophy and Activities.

**MANPOWER IN THE UNITED STATES: PROBLEMS AND POLICIES.** Edited by William Haber, Frederick H. Harbison, Lawrence R. Klein, and Gladys L. Palmer for the Industrial Relations Research Institute. Harper & Brothers, New York, 1954. 225 pages. $3.00. This collection of 16 essays by some 20 authorities proposes the following objectives as a guide to public policy in the United States: a high level of employment; a stable but mobile workforce, effectively utilized; reasonable security against the hazards of old age, unemployment, and disability; the preservation of the freedom, dignity, and worth of the individual; and the proper distribution of manpower to maintain adequate national defense and a healthy economy.

**LABOR MOBILITY AND ECONOMIC OPPORTUNITY.** By E. Wight Bakke, Philip M. Hauser, Gladys L. Palmer, Charles A. Myers, Dale Yoder, and Clark Kerr. Published jointly by the Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, Inc., New York, 1954. 118 pages. $3.50. The reports here collected summarize the work of the Committee on Labor Market Research of the Social Science Research Council in investigating the factors which affect occupational, industrial, and geographic mobility in individual labor markets and in specific groups in the labor supply, tracing the implications of these studies for labor market theory, resource allocation, worker motivation, and job choice.

**THE PSYCHIATRIC INTERVIEW.** By Harry Stack Sullivan. Edited by Helen Swick Perry and Mary Ladd Gawel. W. W. Norton & Company, Inc., New York, 1954. 246 pages. $4.50. Prepared for the most part from recorded lectures, this posthumous book represents a practical application of the late Dr. Sullivan's concept of psychiatry as an interpersonal process. While intended primarily for those in the medical field, the techniques described have wide implications for the problems of human relationships in any social setting, and hence may prove helpful for personnel managers and counselors as well.

**ACCIDENT AND SICKNESS INSURANCE.** Edited by David McCahan. University of Pennsylvania Press, Philadelphia, 1954. 334 pages. $4.50. While intended primarily for the college or university teacher of insurance, this collection of lectures should prove useful also to company insurance managers, personnel administrators, and others concerned with the various health-care coverages. All types of protection against hospital, surgical, and general medical expense, as well as loss of income through disability, are discussed. Throughout the book, emphasis is placed on the principles and practices of commercial carriers.

## MARKETING

**HANDBOOK OF SALES TRAINING.** By the National Society of Sales Training Executives. Second edition, revised by James H. Davis. Prentice-Hall, Inc., New York, 1954. 402 pages. $5.65. More than 100 key sales executives have contributed their knowledge to this revised handbook. Among the techniques discussed are on-the-job training, job rotation, group training, training by correspondence, and the selection and use of audio-visual aids.

**SUCCESSFUL TELEPHONE SELLING.** By Merrill DeVoe. Prentice-Hall, Inc., New York, 1954. 257 pages. $4.95. In this comprehensive study, emphasis is placed on telephone sales techniques of value to the individual salesman, including tested procedures for getting orders, finding new prospects, arranging appointments, promoting services, and capitalizing on phone inquiries. Special features are a chapter on starting a phone order business and 19 model telephone conversations.

**HOW TO FIND AND QUALIFY PROSPECTS AND GET INTERVIEWS.** By Charles B. Roth. Prentice-Hall, Inc., New York, 1954. 217 pages. $4.95. A practical guide by a veteran sales counselor. Techniques and pitfalls of prospecting and interviewing are effectively described and illustrated, with special emphasis on the personal approach and proven methods of overcoming sales resistance.

**HOW TO RUN BETTER SALES CONTESTS.** By Zenn Kaufman. Second revised edition. Harper & Brothers, New York, 1954. 340 pages. $5.00. The addition of new case studies has considerably enlarged this guide to the use of the contest as a means of increasing sales volume and stimulating salesmen's initiative. As in earlier editions, detailed instructions are provided for each step in planning and promotion.

**THE DEPARTMENT STORE: ITS ORIGINS, EVOLUTION AND ECONOMICS.** By H. Pasdermadjian. Newman Books, London, 1954. Available from W. S. Heinman, 400 East 72 Street, New York 21, N. Y. 217 pages. $4.00. Drawing freely on American and other materials, this British author considers the development of department-store merchandizing from its beginnings in 1860 up until the present. His stated purpose is "to find out why a form of business which during half a century had expanded with a lightning rapidity and dominated the field of retailing" should for 20 years have "given the impression of marking time." The period 1940-1950, with its prolonged seller's market, can only be viewed as an interruption in the regular course of department store evolution, the author believes. His final chapter is devoted to the future of this form of enterprise.

## FINANCE

**HOW TO SAVE TAXES THROUGH PROPER ACCOUNTING.** By Jackson L. Boughner. Prentice-Hall, Inc., New York, 1954. 295 pages. $5.65. A general exposition of the three approaches to every tax problem—eliminating taxable income entirely, shifting income to a lower-bracket taxpayer, and shifting income to a lower-tax year—is here followed by a discussion of pitfalls in the Internal Revenue Code. The author, a lawyer and CPA, then outlines specific procedures for tax savings on individual items of income and expense. A questionnaire is offered as a check of good accounting procedure.

**PRACTICAL FINANCIAL STATEMENT ANALYSIS.** By Roy A. Foulke. Third Edition. McGraw-Hill Book Company, Inc., New York, 1954. 710 pages. $10.00. A reference volume designed to meet the needs of the business executive, commercial and investment banker, accountant, and credit executive. The author discusses the historical and credit background of financial statement analysis; the items which comprise financial statements and the techniques of sales analysis applicable to the small business; and the comparative and internal analysis of balance sheets and income statements of commercial and industrial concerns of all sizes. Also included are chapters on computing statements of sources and applications of funds, on calculating the break-even point, and on recent evolution in accounting practice and theory.

## *Publications Received*

**[Please order directly from publishers]**

**PRIVATE ENTERPRISE AND PUBLIC POLICY.** By Melvin Anshen and Francis D. Wormuth. The Macmillan Company, New York, 1954. 742 pages. $6.75.

**CASES IN CORPORATION FINANCE.** By Theodore A. Andersen. Rinehart & Company, Inc., New York, 1954. 90 pages. $1.50.

**INDUSTRIAL FIRE BRIGADES TRAINING MANUAL.** By Horatio Bond and Warren Y. Kimball. National Fire Protection Association, 60 Batterymarch Street, Boston 10, Mass. 1954. 158 pages. $3.25.

**L'ORGANISATION RATIONNELLE DE LA DISTRIBUTION, MOYEN DE STABILISATION ECONOMIQUE (*Rational distribution techniques aimed at economic stability*).** By Eric D. Bovet. Delachaux & Niestlé S.A., Neuchâtel, Switzerland. 1954. 268 pages. (Available at $3.25 per copy from Stechert-Hafner, Inc., 31 East 10 Street, New York 3, N. Y.)

**TRAVEL DOLLARS: *Their Growing Impact upon the Economy of the Free World.*** American Express Company, 65 Broadway, New York 6, N. Y. 1954. 30 pages. Gratis.

**CREDIT AND COLLECTION MANAGEMENT.** By William J. Shultz and Hedwig Reinhardt. Prentice-Hall, Inc., New York, 1954. Second Edition. 696 pages. $9.00.

**PROFITABLE SMALL PLANT MANAGEMENT.** By Malcolm H. Gotterer. Conover-Mast Publications, Inc., 205 East 42 Street, New York, 1954. 327 pages. $5.50.

**PRACTICAL PUBLIC SPEAKING: *A Guide to Effective Communication.*** By Eugene E. White and Clair R. Henderlider. The MacMillan Company, New York, 1954. 375 pages. $4.70.

**SAFETY SUBJECTS.** United States Department of Labor, Bureau of Labor Standards. Bulletin No. 67 (Revised). For sale by Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 1953. 270 pages. 75 cents.

**THE PHRASE FINDER: *Three Volumes in One Comprising "Name-Word Finder," "Metaphor Finder," and "Sophisticated Synonyms."*** Compiled by J. I. Rodale with the collaboration of Edward J. Fluck. Rodale Press, Emmaus, Penna. 1953. 1325 pages. $6.95.

**THE SKILLED LABOR FORCE: *A Study of Census Data on the Craftsman Population of the United States, 1870-1950.*** Technical Bulletin No. T-140. United States Department of Labor, Bureau of Apprenticeship, 1954. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 52 pages. 45 cents.

**INDUSTRIAL MANAGEMENT IN TRANSITION.** By George Filipetti. Richard D. Irwin, Inc., Homewood, Ill. 1953. 359 pages. $6.65.

**CASE PROBLEMS IN CREATIVE SALESMANSHIP.** Prepared by Kenneth B. Haas. Prentice-Hall, Inc., New York, 1953. 328 pages. $2.50.

**STOCK MARKET PROFIT WITHOUT FORECASTING: *A Research Report on Investment by Formula Plan.*** By Edgar S. Genstein. Investment Research Press, 45 University Court, South Orange, N. J. 1954. 86 pages. $3.50.

**INTRODUCTION TO ECONOMICS.** By John V. Van Sickle and Benjamin A. Rogge. D. Van Nostrand Company, Inc., 250 Fourth Avenue, New York 3, N. Y. 1954. 746 pages. $5.50.

**GUIDE TO EMPLOYMENT STATISTICS OF BLS: *Employment Hours and Earnings Labor Turnover.*** United States Department of Labor, Bureau of Labor Statistics, Washington 25, D. C. 77 pages. Gratis.

**JOBS? OR JOBLESS PAY?: *The Real Issue Behind the New Guaranteed Wage Proposals.*** Chamber of Commerce of the United States, Washington 6, D. C. 1954. 90 pages. $2.00.

**THEORY OF ECONOMIC DYNAMICS: *An Essay on Cyclical and Long-Run Changes in Capitalist Economy.*** By M. Kalecki. Rinehart & Company, Inc., 232 Madison Avenue, New York 16, N. Y. 1954. 178 pages. $3.75.

**AUDITING: *An Introduction to the Work of the Public Accountant.*** By E. L. Kohler. Prentice-Hall, Inc., New York, 1954. Second edition. 626 pages. $9.00.

**SEMINAR ON OPERATIONS RESEARCH.** Sponsored by Railway Systems & Procedures Association, with technical assistance from Operations Research Office, The Johns Hopkins University. 1954. 132 pages. Available from J. W. Milliken, Secretary-Treasurer, Railways Systems and Procedures Association, P.O. Box 514, New York 8, N. Y. $4.50.

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STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF

THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1954.

1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, Inc., 330 West 42nd Street, New York 36, N. Y.; Editor, M. J. Dooher, 330 West 42nd Street, New York 36, N. Y.; Managing editor, None; Business manager, James O. Rice, 330 West 42nd Street, New York 36, N. Y.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) American Management Association, Inc., 330 West 42nd Street, New York 36, N. Y.; Lawrence A. Appley, President, 330 West 42nd Street, New York 36, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York 10, N. Y.

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4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

M. J. DOOHER, Editor.

Sworn to and subscribed before me this 7th day of September, 1954.

LYDIA KAMAN, Notary Public.

(Seal) (My commission expires March 30, 1955.)

# Ten Commandments of Safety

## FOR SUPERVISORS

*Your job in management places you in a unique position of trust. For not only does the company rely on you, as the direct representative of management, to apply its policies wisely and fairly; also entrusted to you is the obligation to safeguard the well-being of the workers in your charge. No responsibility transcends this in importance. In this respect your job is akin to the "stewardship" of biblical days: As a supervisor, you are indeed your brother's keeper.*

*On-the-job accidents represent a serious threat to the physical well-being of your men. Their prevention calls for your constant vigilance. Therefore, if you would guide your men safely through their daily work, be yourself guided by these precepts:*

1. You are a supervisor and thus, in a sense, have two families. *Care* for your people at work as you would care for your people at home. Be sure each of your men understands and accepts his personal responsibility for safety.

2. *Know* the rules of safety that apply to the work you supervise. Never let it be said that one of your men was injured because you were not aware of the precautions required on his job.

3. *Anticipate* the risks that may arise from changes in equipment or methods. Make use of the expert safety advice that is available to help you guard against such new hazards.

4. Encourage your men to *discuss* with you the hazards of their work. No job should proceed where a question of safety remains unanswered. When you are receptive to the ideas of your workers, you tap a source of first-hand knowledge that will help you prevent needless loss and suffering.

5. *Instruct* your men to work safely, as you would guide and counsel your family at home —with persistence and patience.

6. *Follow up* your instructions consistently. See to it that workers make use of the safeguards provided them. If necessary, enforce safety rules by disciplinary action. Do not fail the company, which has sanctioned these rules—or your workers, who need them.

7. *Set a good example.* Demonstrate safety in your own work habits and personal conduct. Do not appear as a hypocrite in the eyes of your men.

8. *Investigate and analyze* every accident—however slight—that befalls any of your men. Where minor injuries go unheeded, crippling accidents may later strike.

9. *Cooperate* fully with those in the organization who are actively concerned with employee safety. Their dedicated purpose is to keep your men fully able and on the job and to cut down the heavy personal toll of accidents.

10. *Remember:* Not only does accident prevention reduce human suffering and loss; from the practical viewpoint, it is no more than good business. Safety, therefore, is one of your prime obligations—to your company, your fellow managers, and your fellow man.

*By leading your men into "thinking safety" as well as working safely day by day, you will win their loyal support and cooperation. More than that, you will gain in personal stature. Good men do good work for a good leader.*



*Note: Copies of AMA's "Ten Commandments of Safety," suitable for framing (in two colors, size 9" by 12", on deckle-edge stock) may be obtained from the Association's headquarters at the following prices: single copy, 25¢; 2-24 copies, 18¢; 25-49 copies, 15¢; 50-99 copies, 12¢; 100-499 copies, 11¢; 500-999 copies, 10¢; 1,000 copies and over, 9½¢.*

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